
STUDY DIRECT ENTRY OPTIONS FOR IVORIAN COCOA PRODUCTS TO THE EUROPEAN MARKET

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Project: Green innovation centres in the food and agriculture sector

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Table of Contents

Executive summary	1
1. Introduction	11
2. Definition of cocoa products.....	12
3. Demand for cocoa products in the German and European market	15
3.1. Demand for chocolate products and their ingredients	16
3.1.1. Market channels and definition of buyer segments.....	16
3.1.2. Demand for cocoa beans.....	19
3.1.3. Demand for intermediate products as ingredients to the food industry.....	21
3.1.4. Demand for final consumer products.....	23
3.2. Demand for cocoa-based cosmetic products and their ingredients	26
3.2.1. Market channels and definition of buyer segments.....	26
3.2.2. Demand for intermediate products as ingredients to the cosmetics industry	27
3.2.3. Demand for final consumer products.....	28
3.3. Demand for additional products derived from cocoa	28
4. Market trends and niche markets	29
4.1. Full traceability.....	30
4.2. Fairness and social justice.....	31
4.3. Specialty chocolates, single origin products and “storytelling”	32
4.4. Organic consumption and the demand for “healthier” sweets.....	33
4.5. Environmentally sustainable cultivation practices	35
5. Market entry requirements for cocoa products in the German and European markets	36
5.1. Requirements for cocoa-based products and their ingredients entering the European food market.....	37
5.1.1. Legal requirements.....	37
5.1.1. Non-legal additional buyer requirements	43
5.2. Requirements for cocoa-based cosmetic products and their ingredients entering the European cosmetics market	47
5.2.1. Legal requirements.....	47
5.2.2. Non-legal additional buyer requirements	50
6. Added value, economic reasoning and competitiveness of Ivorian small-scale producers ..	51
6.1. Trade in (certified) cocoa beans	52
6.2. Trade in intermediate cocoa-based products for food production.....	58
6.3. Trade in food consumer products.....	60

6.4.	Trade in cocoa butter as a cosmetic ingredient.....	65
6.5.	Trade in cosmetic consumer products.....	66
7.	Market entry scenarios for Ivorian producers and recommendations	67
7.1.	Direct trade of cocoa beans supported by manufacturer	69
7.2.	Direct trade of cocoa beans to EU beans' importers.....	70
7.3.	Intermediate products produced by Ivorian-owned larger processing companies in strong cooperation with local producer cooperatives.....	72
7.4.	Cocoa butter production in a partnership with a cosmetics manufacturer	74
7.5.	Production of mainstream taste chocolate products	75
7.6.	Production of chocolates for the small specialty chocolate market	76
Annex 1 – Interview list		78
Annex 2 – Bibliography.....		79

Executive summary

1. Introduction

- The concentration of power within the cocoa chain is causing great pressure on prices, to the detriment of cocoa farmers.
- The study is intended to support both Ivorian farmers' cocoa cooperatives and local cocoa processing companies as well as project designers and decision makers in developing strategies for activities targeting the European, particularly the German, market.
- After an introduction and a definition of the cocoa products, the study focuses on five areas:
 1. Analysis of the EU market demand of the products which can be derived from cocoa
 2. Description of market trends and niche markets
 3. Description of market requirements, both legal and additional buyer requirements
 4. Summary of economic reasoning and competitiveness of Ivorian small-scale producers
 5. Presentation of different market entry scenarios for Ivorian producers

2. Definition of cocoa products

- The pre-dominant variety cultivated in West Africa is *Forastero* cocoa. It accounts for around 80% of global cocoa production. *Forastero* is a variety with a regular taste; it is not regarded as fine flavor cocoa.
- Farmers in Côte d'Ivoire are often not aware of the exact variety they find in their orchards. Recently, Ivorian farmers have access to a faster growing sub-variety called *Mercedes* cocoa.
- Cocoa products can be exported into the European Union under various Harmonized System (HS) codes, depending on their state of processing.
- Ingredients derived from the cocoa bean can also be integrated into formula for cosmetic products. In cases where the ingredient for such cosmetics is imported into Europe, however, the HS codes do not differ from the codes above.
- Solely in the case in which a producer would like to export a final cosmetic preparation, the HS code would change as follows, depending on the exact type of product use:

HS Code	Description
1801	Cocoa beans and broken cocoa beans, raw or roasted
1802	Cocoa shells, husks, skins and other cocoa waste
1803	Cocoa paste, whether or not defatted
1804	Cocoa butter, cocoa fat and cocoa oil
1805	Cocoa powder, not containing added sugar or other sweetening matter
1806	Chocolate and other food preparations containing cocoa
180610	Cocoa powder, containing added sugar or other sweetening matter
180620	Other preparations in blocks, slabs or bars weighing more than 2 kg or in liquid, paste, powder, granular or other bulk form in containers or immediate packings, of a content exceeding 2 kg
180631	Other, in blocks, slabs or bars
180690	Other

HS Code	Description
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations
3401	Soap; organic surface-active products and preparations for use as soap

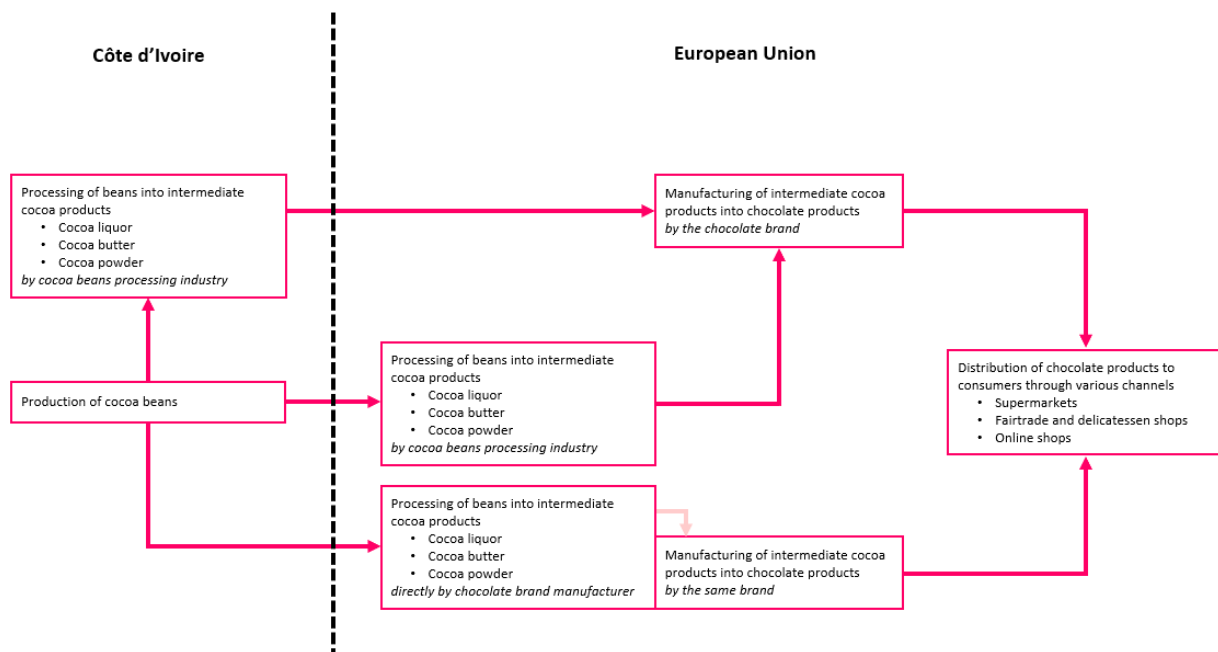
- Further products derived from the cocoa tree could not be identified as relevant for import into the European Union.
- An exception is the small developing market for the cocoa pulp, which would be imported under the following HS code:

HS Code	Description
2008	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included

3. Demand for cocoa products in the German and European market

Market channels and buyer segments

- The prevailing market channels of cocoa from Côte d'Ivoire exported to the EU are:
 - The cocoa beans as a raw material are exported to European grinding facilities.
 - The beans are ground in Côte d'Ivoire by multinational grinding facilities or local processors. The intermediate products are then exported.
- Inside the EU, brand owners either purchase the chocolate ingredients from the grinders or have their own grinding facilities.

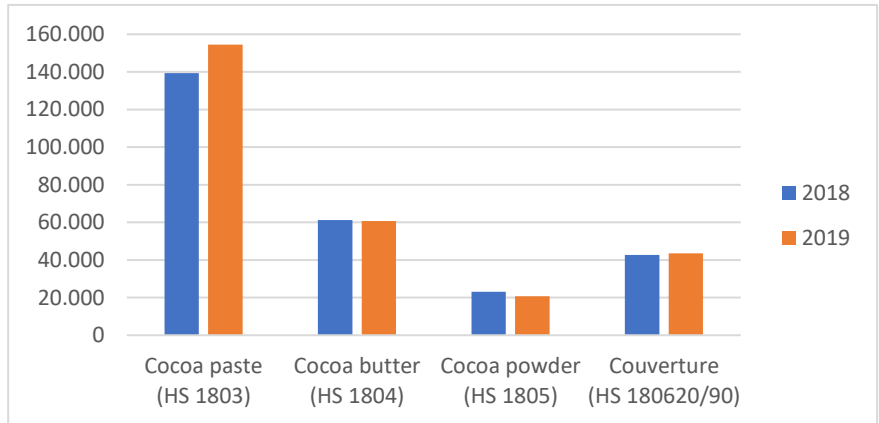


- Regarding Germany, the above-described production chain can safely be assumed as the regular production chain for at least 92% of the cocoa from Côte d'Ivoire, most likely even more.
- Only some smaller chocolate brands (listed under "Other" in the Figure) might follow an individually different production chain. But there was not even found any evidence in this regard during the research for this study.

Brand name	% of market share in Germany
1. Ferrero	21.6%
2. Mars	10.2%
3. Mondelez International	9.5%
4. Alfred Ritter	7.5%
5. Lindt & Sprüngli	7.0%
6. August Storck	6.9%
7. Nestlé	4.3%
8. Baronie Chocolates Belgium	1.9%
9. Krüger	1.8%
10. Private supermarket labels	20.9%
11. Other	8.4%

Cocoa beans and intermediate products for the food sector

- The import of beans and intermediate products produced by the large processors in Côte d'Ivoire reflect one and the same demand for chocolate in the EU – they are two faces of the same coin.
- In recent years, multinationals have transferred more and more grinding into the countries of origin, particularly also Côte d'Ivoire. Côte d'Ivoire recently surpassed The Netherlands as the country with the largest cocoa grinding industry worldwide.
- The overall yearly import of cocoa beans into the EU is around 2 million tons. Numbers are fluctuating from year to year but seem mostly stable since 2017.
- In 2019, around 270.000 tons of the different intermediate products



paste, butter, couverture and powder were additionally imported to the EU from Côte d'Ivoire.

Demand for final chocolate consumer products

- In 2018, the EU produced an estimated 6.5 million tons of products containing cocoa, such as choco-late tablets and bars, pralines, spreads and confectionery containing cocoa. European production is estimated to an average annual growth of almost 12% between 2014 and 2018.
- This annual growth must not be mistaken as a growth in consumption per consumer. The trend in consumption in Europe is not changing very much in recent years. The amount of chocolate consumed per person remains more or less the same.
- The leading consumer countries are Switzerland with over 10kg of chocolate confectionary consumption per person annually and Germany with 9.5kg.
- The growth rate in chocolate production is likely to be related to the fact that the international European manufacturing brands also export into other growing markets, such as Asia.
- This means that any new brand entering the EU market must displace part of the existing market. No additional demand is likely to be created in Europe to a noteworthy extent.
- The study found no evidence that there is a noteworthy demand for final consumer products made in Côte d'Ivoire on the EU market.

Demand for cocoa-based products for sectors other than the chocolate confectionary sector

- The only product with a noteworthy demand based on cocoa is cocoa butter for the use in cosmetic and personal care products. The overall demand is hard to estimate but is likely between 200 to 300 tons yearly.
- The butter is – with a few exceptions in all natural cosmetic products – used in its deodorized form, and not in its natural form. The cosmetic manufacturers purchase it from the large vegetable oil traders, which in turn do not import the cocoa butter, but purchase it from the grinding facilities inside the EU.

- As it is very difficult and expensive to legally register a final cosmetic product in the EU market, no demand for any cosmetic product manufactured completely in Côte d'Ivoire could be seen during the research for this study.
- One other product based on the cocoa tree shows an upward trend in the market, although on a very small level still: the cocoa pulp derived from the juice substance surrounding the beans in the pod. This product has recently been registered for food consumption in the EU. Juice producers are starting to discover its taste and use in juice and smoothy production.

4. Market trends and niche markets

Trends related to concerns in the chocolate production chain

- There are many concerns about cocoa production particularly in West Africa, of which the consumers, political actors and therefore also the manufacturing industry have become ever more aware in the past two decades.
- Trying to eliminate those concerns can be translated into market trends, such as:
 - Strong demand for full traceability: Certifications ensuring at least the traceability to the producer cooperative, claiming to guarantee e.g. no child labor and environmentally safe cultivation practices are becoming almost indispensable for the EU market.
 - Increasing fairness and social justice: Fairtrade certified and individual brand programs to pay higher prices to producers are increasingly demanded, although still not by all actors.
 - Environmentally sustainable cultivation practices: Activities and certifications ensuring that no deforestation takes place and that the production is environmentally friendly become also more important for buyers and consumers.

Trends related to changing consumption patterns

- Some more general trends in changing consumer patterns also reflect onto the chocolate industry, such as:
 - Increasing wish for specialty products and "story-telling": Consumers long for products which do not only taste good but make them feel special and unique. They want to become more connected to the product and its producers. Bean-to-bar chocolatiers cater for this market niche, as well as brands marketing products of a single origin and/or with a special attention drawn to the small-scale producers.
 - Organic consumption and the demand for "healthier" sweets: Consumers are looking for eating healthier and care more for their well-being. The organic market is still a niche market but is growing by around 8% annually in Europe. Organic certified cocoa enters this niche and demand rises. Furthermore, products containing more cocoa and less milk and sugar ("dark chocolates") are becoming more popular among consumers.

5. Market entry requirements for cocoa products in the German and European *food* markets

Legal requirements

- EU regulations support the principle that European consumers have the right to be guaranteed their health and safety in food consumption.
- The General Food Law Regulation (EC) 178/2002 lays down the general principles and requirements of food law. It is complemented by other regulations defining:
 - Handling of food contaminating substances, such as:
 - heavy metals;
 - pesticides;
 - mycotoxins;
 - polycyclic aromatic hydrocarbons (PAHs);
 - microbes;
 - foreign matter.
 - Adherence to basic Food Safety Management System (FSMS): food processors must at least ensure the application of the Hazard Analysis and Critical Control Points (HACCP) principles.
- EU regulations also define rules for labeling and packaging. Such laws refer mostly to products foreseen to enter directly into the consumers' hands.
- Packaging and labeling of intermediate products is mostly linked to preserving quality and smooth customs' procedures.
- EU Regulation (EC) 834/2007 sets the rules for the organic certification. A product can only be marketed inside the EU when being certified by an accredited certifier according to this regulation. Products which are certified can put the organic logo on their labeling.



Additional buyer requirements

- Buyers, particularly from Germany and other northern European countries, often have additional requirements, such as:
 - Quality criteria for cocoa beans: These criteria differ from buyer to buyer but recently some efforts have been made to set some international standards. Producers should be encouraged to apply at least good agricultural and fermentation practices.
 - UTZ/Rainforest Alliance and/or Fairtrade certification: The UTZ/Rainforest Alliance certification has become for many buyers in the EU a minimum certification. Fairtrade is still a niche but for some buyers also indispensable.
 - ISO/FSSC 22.000 certification: The worldwide standards for food safety management, enlarging the basic HACCP principles, are important when producing and marketing intermediate cocoa products.
 - Corporate Social Responsibility (CSR): The large chocolate brands have various kinds of CSR programs and requirements to their suppliers, which they communicate also down the value chain and require often adherence to certain principles.

5. Market entry requirements for cocoa products in the German and European *cosmetic* markets

Legal as well as additional buyer requirements

- The EU Cosmetics Regulation (EC) 1223/2009 sets the guidelines for final cosmetic products. Its requirements often also trickle down to suppliers of intermediate products and raw materials. The most important aspects of this regulation are:
 - Need to register the cosmetic formula and to define a 'responsible person' inside the EU: This requirement is often hard to follow by non-EU resident cosmetic manufacturers from developing countries. For ingredients suppliers, this often means that buyers are already requesting in-depth product information and technical analyses on the suppliers' level. Ingredients suppliers', however, must not define a 'responsible person'.
 - Compliance with good manufacturing practices (GMP): Although this is also only legally relevant for the final product, suppliers are often asked to follow such practices, particularly when supplying intermediate and semi-finished products.
 - Handling of efficiency claims: Cosmetic manufacturers can only claim certain effects of their products, which have been scientifically proven.
- The trend for natural/organic cosmetics can lead to buyers requiring certification of producers, such as the COSMOS or NaTrue certifications.

6. Added value, economic reasoning and competitiveness of Ivorian small-scale producers

- One major issue of debate in the cocoa sector is and has been for a long time the prices paid along the value chain.
- Farmers do generally not earn a "fair" income, as cocoa prices mostly do not ensure a minimum living income for cocoa farmers.
- A purpose of this study is to analyze which marketing decision would lead to a higher income for cocoa producers or producers of cocoa-based products or could generally enhance the development of the Ivorian cocoa economy.
- Economic reasoning does not only englobe the price paid for a product, but also ...
 1. ... the economic investment necessary to obtain the revenue: Is the revenue higher than the costs, can the actor earn money with the activity? Can the actor realistically undertake the necessary investment?
 2. ... the opportunity costs or in other words the choices the actor has: Can the actor earn more money by doing something else or is the activity the best economic choice?

Trade in (certified) cocoa beans

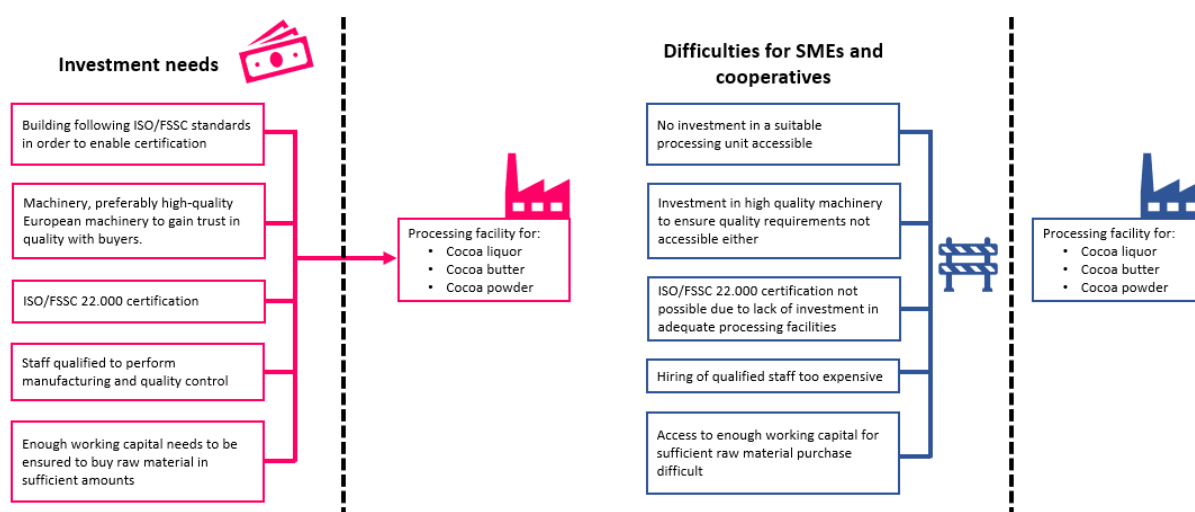
- There are three scenarios in which individual farmers currently are paid higher prices than the price defined by the Ivorian Conseil Café Cacao:

Scenario	Buyer induced sourcing project	Fairtrade or organic certified trade	UTZ (RA) certified trade
Description of scenario	Farmers ... <ul style="list-style-type: none"> ... are a member of a cooperative who is in a partnership project with a buyer. ... receive minimum farmgate price + Fairtrade premium and possibly organic premium. ... receive additional premiums and/or additional benefits such as trainings coaching and development of production. 	<ul style="list-style-type: none"> Farmers are a member of a cooperative who is Fairtrade and/or organic certified. Beans can be traded through different certified actors. Fairtrade: Farmers receive minimum farmgate price + Fairtrade premium. Organic trade: Farmers negotiate an organic premium with the buyer. 	<ul style="list-style-type: none"> Farmers are a member of a cooperative who is UTZ certified. UTZ has merged with RA and standards will soon be aligned. Beans can be traded through different certified actors. Farmers receive minimum farmgate price + UTZ premium. The premium per individual is defined by the farmer cooperative.
Rating of the scenario	From a farmer's perspective, this is the best economic scenario.	From a farmer's perspective, this is the second best economic scenario.	From a farmer's perspective, this is the third best economic scenario.

- Remark: There is an oversupply of certified beans: Farmers in Côte d'Ivoire have more beans certified UTZ/RA, Fairtrade and organic than currently bought by buyers.

Trade in intermediate cocoa-based products for food production

- Two aspects hinder small-scale manufacturers such as cooperatives to produce intermediate products for the European market: a) the required quality standards and b) a sufficient quantity in production.
- Reaching an internationally competitive level of production requires a lot of investment, which small-scale producers usually cannot afford.
- There is no real demand of small-scale produced intermediate products due to these quality and quantity as well as export management issues.



Trade in food consumer products

- Three different scenarios are the most likely to become possible / are proven to exist already:

Scenario	Production of a specialty taste chocolate to be sold to very small niche markets	Production of a regular taste chocolate to be sold to Fairtrade and/or organic markets	Production of regular taste chocolate for private label
Description of scenario	<p>This is the only scenario that already exists.</p> <ul style="list-style-type: none"> • Chocolates have a special taste. • Products are sold at very high prices to European connoisseurs. • Marketing takes place through connections mainly in France. • Production capacities are limited. • Business model is beneficiary for the existing small-scale Ivorian chocolatiers. 	<ul style="list-style-type: none"> • A local production in West Africa of a regular taste chocolate for the consumer is possible, as an example in Ghana shows. • Prices for consumer range in the Fairtrade/organic price range and are competitive. • The success factor is the strong partnership between European and African actors. 	<ul style="list-style-type: none"> • A the Ghanaian example shows, local production in West Africa according to international food safety and management standards is possible. • Engaged private supermarket chains could possible become a partner to an Ivorian processing unit and encourage private label production.

- The key, if aiming for a larger market, is to produce at a competitive price. This is a challenge in Côte d'Ivoire, as inputs into production can be more expensive than in Europe (e.g., raw material, energy, transport, machinery and repairs, highly qualified staff).

Trade in cocoa butter as a cosmetic ingredient

- Cocoa butter in its natural state is not highly demanded in large quantities for cosmetic products in Europe. It is mostly demanded in the deodorized state, which small-scale producers are not able to deliver.
- A cooperative producing the butter for cosmetic use would also have to find a client for the other products (liquor and powder).
- The general difficulties to ensure quality delivery and a certain quantity are also valid for products going into the cosmetics sector.

Trade in cosmetic consumer products

- The chances that selling a final cosmetic consumer product produced completely in Côte d'Ivoire to the EU market could become viable in a setting involving SME/cooperative production can be regarded as marginal. The obstacles laid in the way by the EU Cosmetics Regulation are extremely high.

7. Market entry scenarios for Ivorian producers and recommendations

Direct trade of cocoa beans supported by manufacturer

Description of the scenario and benefits for Ivorian actors	Recommendation for Ivorian actors and support projects
<ul style="list-style-type: none"> • In this scenario, a partnership between a European manufacturer/brand and one or more cooperatives producing the beans in Côte d'Ivoire is established. • An engagement of a European company is the backbone of these kinds of relationships. • A strong ethical and/or CSR background of the European company motivates this scenario. • For the cooperatives, such a project is very beneficial because the prices paid are a lot better than in other trade scenarios. • The cooperatives and farmers benefit from trainings, from improved quality and empowerment. • The processing of the raw material, however, is done in Europe. 	<ul style="list-style-type: none"> • Manufacturers in Europe like to become involved directly, but often search for partners in Latin America. • As an Ivorian producer cooperative, the best changes to become ready for being considered as a possible partner are: <ul style="list-style-type: none"> – Possessing at least Fairtrade, possibly even already organic certification, ensuring full traceability – Becoming very well managed and organized – Ensuring good agricultural practices – Becoming very well acquainted with marketing aspects, starting to work on unique selling propositions – Becoming able to fluently communicate in English to be able to approach buyers who do not speak French – Developing a strategy for marketing and approaching buyers proactively • Support projects should work with cooperatives on the above mentioned aspects.

Direct trade of cocoa beans to EU beans' importers

Description of the scenario and benefits for Ivorian actors	Recommendation for Ivorian actors and support projects
<ul style="list-style-type: none"> In this scenario, a cooperative, which has managed to receive the license for export, delivers the cocoa beans directly to a port in Europe. The cooperative producing and exporting the beans receives the FOB price for their product. All interviewed cooperatives confirmed that this model of export trade is much more preferred by them than selling inside Côte d'Ivoire as it brings back a higher revenue and enables the cooperatives to negotiate their prices at the international FOB level with the buyers. This trade model becomes particularly interesting when premiums for UTZ/RA or organic are paid. The empowerment of the cooperative in this scenario is beneficial for the overall farmer empowerment in the sector. 	<ul style="list-style-type: none"> To develop into a licensed export cooperative, Ivorian producer cooperatives should strengthen their membership base and improve their internal organization and accountability to become a strong and reliable voice for the members. A very important obstacle is obtaining the legal export license for cocoa beans. Government and donor projects can facilitate these procedures and support cooperatives to go through this process. A cooperative aiming for direct export needs to become familiar with all export-related technical and administrative aspects. Establishing new contacts, acting in a professional business way, communicating internationally – these aspects also need to be tackled by the cooperative, for example participating in international trade fairs, employing staff for marketing aspects and representation.

Intermediate products produced by Ivorian-owned larger processing companies in cooperation with local producer

Description of the scenario and benefits for Ivorian actors	Recommendation for Ivorian actors and support projects
<ul style="list-style-type: none"> The characteristic of this scenario would be the role that a local cocoa processor plays in the organization of the value chain: a smaller Ivorian processor could become directly engaged as a linkage between farmer cooperatives and brand manufacturers. The approach would go hand in hand with a development in terms of sustainability, CSR and internal management aspects. Such a diversification of the organization of the processing sector as well as investments of Ivorian-owned businesses would be beneficial for the Ivorian economy, creating local employment and empowerment. 	<ul style="list-style-type: none"> To enable this scenario, local processors must be supported to change their approach to the international market slightly; more innovative ideas must be encouraged. Ivorian local processors can be linked to farmer cooperatives to establish long-term partnerships, e.g., supporting quality enhancement, pre-financing etc. The companies should be more directly exposed to markets in Europe through trade fair visits, sector contacts and marketing support. To establish more direct linkages, the companies should focus on aspects of CSR, Fairtrade and other trends which are increasingly in demand in the European Union.

Cocoa butter production in a partnership with a cosmetics manufacturer

Description of the scenario and benefits for Ivorian actors	Recommendation for Ivorian actors and support projects
<ul style="list-style-type: none"> In this scenario, exporting the cocoa butter to a partner in the cosmetics business would provide enough financial sustainability for a cooperative to sustain a processing unit. Such a scenario would require a high engagement of the cosmetic manufacturer who is interested in supporting cooperative in ethical trading and production at origin. However, the other intermediate products, particularly the cocoa powder and paste, would also need to find a buyer. This scenario has not been witnessed in Côte d'Ivoire yet. 	<ul style="list-style-type: none"> For individual cooperatives or small-scale producers, it will be very difficult to focus on developing such a kind of partnership without being supported by a respective partner and/or a project. The chances to develop such a partnership become higher, the better the cooperative is developed in terms of certification, international organization, human resources (speaking English, developing general commercial skills, communication, and marketing) and knowledge about processing as well as quality measurements.

Production of mainstream taste chocolate products

Description of the scenario and benefits for Ivorian actors	Recommendation for Ivorian actors and support projects
<ul style="list-style-type: none"> In this scenario, the production of a chocolate for the Fairtrade and/or organic market would be completely done inside Côte d'Ivoire, while the marketing would be done in Europe. The chocolate recipes would follow the taste of the mainstream European market. There is no such example existent in Côte d'Ivoire yet, but an example exists in Ghana. This model relies on a strong partnership between a local production unit and a European marketing team. 	<ul style="list-style-type: none"> To realize such a scenario in Côte d'Ivoire, individual actors who wish to enlarge their manufacturing of chocolates or expand from processing intermediate products to chocolate production would have to get in contact with potential partners in Europe. Activities which can support this are: <ul style="list-style-type: none"> Visiting trade fairs and B2B events to meet possible partners and learn about market demands Becoming familiar with all the necessary technical, food safety and logistical aspects of producing a final product in Côte d'Ivoire for export to the EU Thoroughly investing into feasibility calculations and studies, defining all necessary investments as a basis for discussions

Production of chocolates for the small specialty chocolate market

Description of the scenario and benefits for Ivorian actors	Recommendation for Ivorian actors and support projects
<ul style="list-style-type: none"> In this scenario, local chocolatiers produce specialty chocolate products in a small-scale but successful way, exporting part of the production to the EU. The chocolates are sold at very high prices, also ensuring a good price to the producers and – even though not always certified – a fair trade model. The chocolatiers are closely linked to local cooperatives, often providing also training for processing of cocoa beans. This scenario is beneficial for the local producer cooperatives, as an incredible knowledge transfer takes place in these partnerships, which directly benefits the local communities, particularly women. Furthermore, employment is created in the manufacturing units. The model of business very much relies on the initiative of one partner who wants to advance in this direction and has the means and capacity to do so. 	<ul style="list-style-type: none"> To enter this market segment, potential chocolatiers must enhance their capacities on the technical side of production, including food safety, but also on the marketing side. Capacities on the marketing side also must be developed, as a successful project in this regard needs to understand how to market the product and how to approach distributors and sales partners. Support projects can help upcoming start-up chocolatiers by exposing the engaged businessmen and women to the markets, so they can make contacts and exploit niches.

1. Introduction

The concentration of power within the cocoa chain is causing great pressure on prices, to the detriment of cocoa farmers. The Green Innovation Centre "Sustainable and Deforestation-Free Cocoa Economy in Côte d'Ivoire", part of the global project "Green Innovation Centres in the Agricultural and Food Industry", funded by the German Federal Ministry for Economic Cooperation and Development, has commissioned this study to determine the opportunities for the Ivorian producers to increase their economic gains by entering a more direct contact with the European market.

The project supports the local processing and marketing of cocoa beans and cocoa-derived products. Activities include the expansion of existing and the development of small new processing plants and thus the promotion of local processing. This study also analyses the chances for direct export to the EU market for those products made in Côte d'Ivoire.

The study is intended to support both Ivorian farmers' cocoa cooperatives and local cocoa processing companies as well as project designers and decision makers in developing strategies for activities targeting the European market.

The first part of the study analysis the EU market demand of the different products which can be derived from cocoa. A focus is, of course, put onto the use of cocoa for chocolate products and confectionary. But the demand for cosmetic products containing cocoa butter is also analyzed.

Secondly, market trends and niche markets are described with the objective to inform about promising market approaches as well as the direction market developments might take in the next couple of years.

The third part of the study focuses on market requirements, both legal requirements of the EU as well as non-legal additional requirements which are often asked for by buyers. This chapter – as later also cited – is largely based on the very comprehensive market information of the Dutch "Centre for the Promotion of Imports from Developing Countries (CBI)" but was also adapted and enhanced by some additional research for the purpose of this study.

In the fourth part, the study focusses on the economic reasoning and competitiveness of Ivorian small-scale producers regarding their direct market linkages to the EU. This chapter analyses the added value possible regarding small-scale Ivorian producers of the different products along the value chain. The objective is to determine whether certain options make economic sense for such small-scale producers, or under which conditions they can make sense. However, since each business case depends on many variables and this study covers many individual products, this analysis stays general and can – if necessary – be completed by more detailed feasibility studies.

In the last part of the study, different market entry scenarios for Ivorian producers are presented, if possible, citing successful existing business cases. These scenarios describe the most promising direct market linkages to the EU market and are therefore provided with recommendations to Ivorian business actors such as small-scale processors and producer cooperatives as well as project designers and sector support organizations.

The methodology of this study followed the approach of combining desk research with stakeholder interviews. The list of interviewees is provided in Annex 1.

2. Definition of cocoa products

The cocoa tree (*Theobroma cacao*) was originally grown in South America, but today is cultivated in many tropical areas in Africa, Asia, and Latin America. Cocoa pods grow directly from the trunk and thicker branches of the tree. After extraction from the pod, cocoa seeds (beans) are fermented and dried. The dried cocoa beans are the basis for producing chocolate. They are roasted to develop the typical chocolate flavor; and then their shell is separated from their kernel, the cocoa nib. Nibs are crushed into a paste called cocoa liquor, also called paste or mass. The liquor contains fat (cocoa butter) and solid cocoa in roughly equal proportion. It can already be used as the basis for chocolate production; or the two components are first separated by pressing, resulting in the products of pure cocoa butter and cocoa paste (containing a remainder of fat) or cocoa powder (without any fat).

In the later processing stages, the products are mixed again according to the recipes of different chocolate products – paste and butter are mostly used for chocolate, powder is used in food products such as dairy, bakery goods and instant beverages. Other ingredients are added, such as sugar, milk, or flavors. An intermediate product, which is also traded much, is a pre-mix of liquid chocolate called couverture, already containing different ingredients besides cocoa, but not yet manufactured into the final product.

To avoid substitution of cocoa butter by other vegetable oils, the European Commission regulates the use of these alternatives within the chocolate industry. Only an addition of up to 5% of vegetable fats other than cocoa butter is allowed for chocolate production in Europe.¹

Different varieties of cocoa result in different organoleptic characteristics, so the flavor of chocolate can depend on the beans and the mixture of different beans. However, the flavor of the final chocolate product is also very much influenced by the other ingredients, of which the most important is the amount of sugar added to reach the characteristic sweet flavor, as well as the mixture of different kinds of beans and pastes.

The three main varieties of the cocoa tree as distinguished by the international cocoa market are²:

1. *Forastero*: This is the predominant cocoa variety. It is mainly cultivated in Africa, but also in Central and South America. It accounts for around 80% of global cocoa production. *Forastero* grows faster and gives a higher yield than other cocoa varieties. The beans have a strong, earthy flavor. Generally, bulk cocoa beans come from *Forastero* trees. Well-known *Forastero* subspecies are *Amelonado* and *Nacional*.
2. *Criollo*: This is the original cocoa tree and mainly grown in Central America, northern South America, the Caribbean, and Sri Lanka. *Criollo* makes up around 5% of global cocoa production. The beans have a delicate and sweet flavor. *Criollo* is often mixed with other varieties when making chocolate, given that it is scarce and expensive. Fine flavor cocoa beans are produced from *Criollo* cocoa trees. Well-known varieties are *Chuao*, *Porcelana* and *Ocumare*.

¹ Source: [Directive 2000/36/EC](#)

² Source: [CBI Market Information – Exporting Cacao and Cocoa products to Europe](#)

3. *Trinitario*: This is mainly cultivated in Central and South America, the Caribbean and Asia. The beans are a hybrid of the *Criollo* and *Forastero* trees. *Trinitario* represents around 10-15% of global cocoa production. The beans have a floral, fruity flavor. The cocoa beans from *Trinitario* trees are classified as fine flavor cocoa. There are exceptions, however, as Cameroonian cocoa beans produced from *Trinitario* trees are classified as bulk cocoa beans. Well-known varieties are *Carenero*, *Rio Caribe* and *Sur del Lago*.

The predominant variety of cocoa grown in Côte d'Ivoire is the *Forastero*. However, the smallholder farmers who have grown and replanted cocoa trees for many years rarely have a definite knowledge about the exact variety they are growing. A few years ago, the Centre National de Recherche Agronomique (CNRA) has launched the distribution of a new variety called *Mercedes*. *Mercedes cocoa* is a hybrid variety, a result of many years of research, which has the main advantage that it starts producing already after 18 months (hence its denomination "Mercedes") rather than after six years for older varieties. Ivorian cocoa farmers who are planting trees nowadays are keen to plant the *Mercedes* variety. It is, however, also still very common in Côte d'Ivoire to use seeds from undefined old cocoa trees for replanting, as not all farmers have yet access to *Mercedes* seedlings.

Cocoa products can be exported into the European Union under various Harmonized System (HS) codes, depending on their state of processing:

HS Code	Description
1801	Cocoa beans and broken cocoa beans, raw or roasted
1802	Cocoa shells, husks, skins and other cocoa waste
1803	Cocoa paste, whether or not defatted
1804	Cocoa butter, cocoa fat and cocoa oil
1805	Cocoa powder, not containing added sugar or other sweetening matter
1806	Chocolate and other food preparations containing cocoa
180610	Cocoa powder, containing added sugar or other sweetening matter
180620	Other preparations in blocks, slabs or bars weighing more than 2 kg or in liquid, paste, powder, granular or other bulk form in containers or immediate packings, of a content exceeding 2 kg
180631	Other, in blocks, slabs or bars
180690	Other

While the large part of cocoa is processed into different kinds of chocolate food products, ingredients derived from the cocoa bean can also be integrated into formula for cosmetic products. In cases where the ingredient for such cosmetics is imported into Europe, however, the HS codes do not differ from the codes above. The HS code for cocoa butter for example remains 1804, even if the product is then not used for food production. Solely in the case in which a producer would like to export a final cosmetic preparation, the HS code would change as follows, depending on the exact type of product use:

HS Code	Description
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations (various sub-codes depending on the kind of cosmetic preparation, most common would be 3304 for skin care and 3305 for hair care)
3401	Soap; organic surface-active products and preparations for use as soap (various sub-codes depending on the kind of soap)

Many other products can be derived from the cocoa tree, other than the cocoa bean, such as:

- cocoa pulp, the white juicy substance which surrounds the beans inside the pod;
- cocoa juice, the sweet juice obtained from the pulp;
- cocoa wine, an alcoholic beverage derived from the cocoa pulp/juice;
- cocoa vinegar, which also has the pulp as a basis;
- cocoa jam, also based on the fruit pulp/juice;
- cocoa shells, the peel surrounding the cocoa nib, can be used as an ingredient for cosmetics or even food, or also brewed to tea, for example;
- charcoal, derived from the cocoa pods;
- ash lye, a laundry detergent based on the ash of the burned cocoa pods, a strong alkali;
- pectin, which is a naturally occurring polysaccharide found in fruits and is widely used as an emulsifier, thickener and setting agent for food or the pharmaceutical industry, can also be obtained from the cocoa pulp juice;
- cocoa distillate, a liquid distilled from the cocoa bean, which can be used for giving a hint of white chocolate flavor to dairy products, desserts and alcoholic beverages.

All these different products would – if interest be – imported into Europe according to the relevant HS code that fits its profile. The large part of these theoretically possible cocoa derivatives is, however, not imported into the EU to a noteworthy extent. HS codes which could become relevant are the following:

HS Code	Description
2009	Fruit juices and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter (various sub-codes depending on the kind of juice preparation)
2008	Fruit, nuts, and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included (selecting the adequate sub-code for pulp)
2206	Beverages, spirits, and vinegar – Other fermented beverages; mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included

If there is an uncertainty about the HS code applied to a particular product, the official page assisting importers and exporters of the European Commission [Access2Markets](#) helps to identify the correct code.

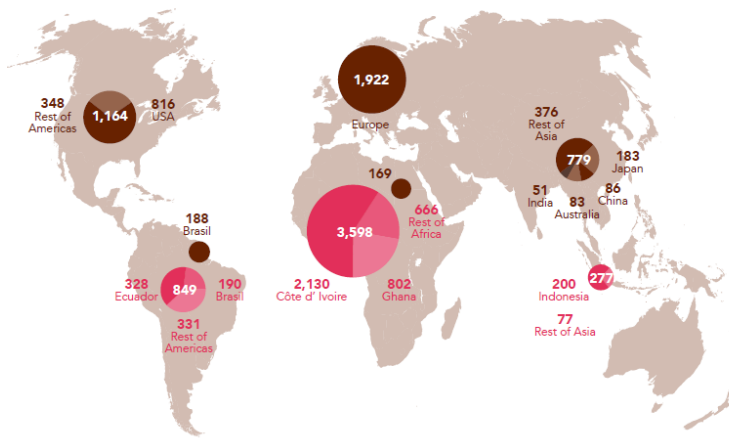
3. Demand for cocoa products in the German and European market

In many of the countries where cocoa is produced it is hardly consumed by the population. Instead, the consumption of chocolate products is concentrated in Europe and North America, with Asia also building up a growing consumer market (see Figure 1).

Europe, including the EU, the United Kingdom and Switzerland, is the largest destination of cocoa beans in the world. Almost 60% of the worldwide produced cocoa beans are manufactured into (mostly) chocolate products in Europe (see Figure 2) – which are then in turn also exported into the whole world. The European market is a very diverse and therefore an interesting market for cocoa. Its chocolate processing and manufacturing industry is

Figure 1: Worldwide cocoa production and consumption

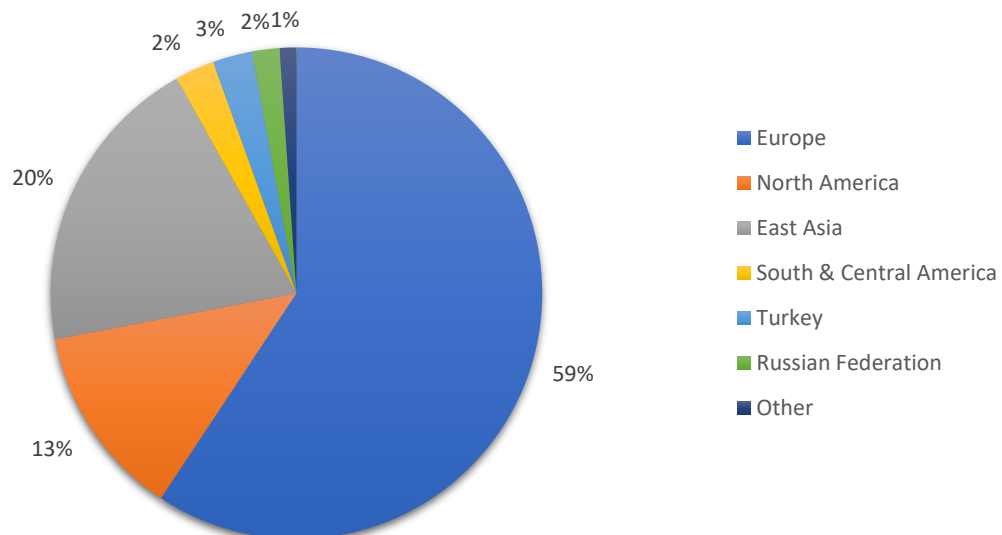
Cocoa production in 1,000 tonnes 2019/20 (forecast)
Domestic consumption of cocoa in 1,000 tonnes 2018/19
Source: ICCO 2020, Table 2, 40



Source: [VOICE Cocoa Barometer 2020](#)

strong. It processes large amounts of bulk cocoa, but demand for specialty cocoa is growing strongly. Sustainability is an important subject for the European cocoa industry and for European chocolate consumers.

Figure 2: Worldwide imports of cocoa beans according to region



Source: [ITC Trade Map](#)

Germany is a massive cocoa and chocolate market with many opportunities for producing countries, both in the bulk and specialty segment. However, it is estimated that the bulk market is reaching its saturation point and that the more promising opportunities for exporters and producers lie in the

specialty market.³ Germany is a major chocolate consuming country as well, registering the second-largest per capita chocolate consumption in Europe, namely 9.2 kg annually in 2017.⁴

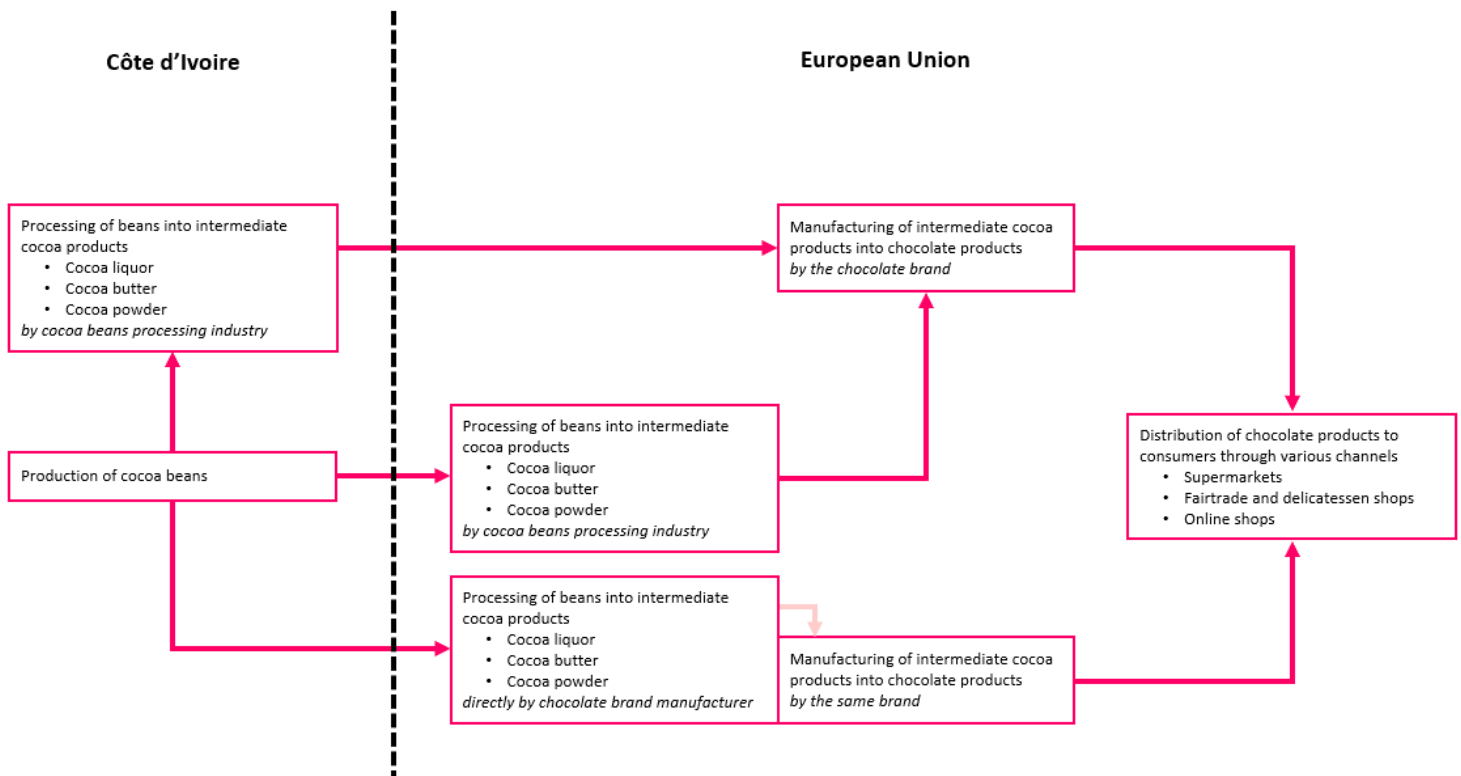
3.1. Demand for chocolate products and their ingredients

The dominant use of cocoa beans is for chocolate and chocolate-related food products. While some ingredients are also used in the cosmetic industry (see chapter 3.2), the by far largest share of cocoa-based products is going into the food industry. However, no exact data on the division of use between food and cosmetic application could be obtained.

3.1.1. Market channels and definition of buyer segments

To assess the alternative possibilities for market entry, it is of utmost importance to understand not only the demand for a product in general, but also the channels through which the products can reach the market. Figure 3 outlines the prevailing market channels of the cocoa-based chocolate products from Côte d'Ivoire into the European Union.

Figure 3: Prevailing market channels for cocoa products from Côte d'Ivoire to the European Union



Around 30-35% of the Ivorian cocoa beans are ground and processed into intermediate products inside the country⁵. The share of locally transformed beans is growing, in line with the country's strategy to

³ Source: [CBI Market Information – Exporting Cacao and Cocoa products to Europe](#)

⁴ Source: [Aargauer Zeitung – Wer am meisten Schoggi vertilgt](#)

⁵ Source: [Agence Ecofin](#), [AFRIMAG](#), [Afrique sur 7](#) and [Abidjan.net](#)

process 50% of its production by 2023 (target set originally for 2020).⁶ but the much-quoted desire of the country to process 50% or even 100% of its raw material is still not in sight for the upcoming years. The processing industry in Côte d'Ivoire can generally be divided into three types of actors:

1. **Large multinational companies:** Six large multinational companies dominate the transformation sector in Côte d'Ivoire (Barry Callebaut, Cargill, Olam, Sucden, Touton and Cémoi). Out of the installed processing capacity in the country of around 700,000 tons yearly, it can be estimated that around 75-85% belong to one of these multinationals. Recently, the foundation stone was laid for two factories of an additional processing capacity of 100,000 tons per year – an investment of the Chinese state-owned company CNDC, introducing another multinational actor into the cocoa scene in Côte d'Ivoire.⁷
2. **Small Ivorian or foreign-owned processing factories:** A couple of factories are operating in the country, which are attributed to local Ivorian or a few non-multinational investors (for example Sucso, Condicaf, Ivory Cocoa Products or Ivory Coast Cacao). Their annual processing capacities are smaller than those of the large multinational companies and can be estimated to be between 15,000 and 50,000 tons. Many of them face challenges of staying in business.⁸ It can be estimated that the large part of the remaining 15-20% of installed processing capacity can be attributed to these smaller factories. Their products are either exported directly to international brands or – in case of the smaller and more fragile players – indirectly exported via the larger grinding facilities inside Côte d'Ivoire.
3. **Cocoa-processing cooperatives and small-scale local brands producing chocolate and cocoa products:** Some: Some local producer cooperatives or SMEs, often in close cooperation with local chocolatiers, are also transforming cocoa beans. These intermediate products are usually not exported as such but go into the local chocolate product preparation. The current capacity of these local cooperatives and small-scale producers for cocoa transformation is very difficult to estimate but is likely to be only a small percentage out of the locally processed beans. An estimated grinding capacity lies between 20 and 70 tons annually.

The remaining 60-65% of cocoa beans are exported as raw material. Out of these exports 57,7% are heading towards various countries of the European Union, the largest being The Netherlands (24,5%), Belgium (11,1%) and Germany (8,4%).⁹ Particularly in these three major import countries, the beans are then in turn transformed and processed into the intermediate ingredients for chocolate. Generally, two different types of processors can be distinguished on European soil:

⁶ Source: [Banque Mondiale](#)

⁷ Source: [AFRIMAG](#)

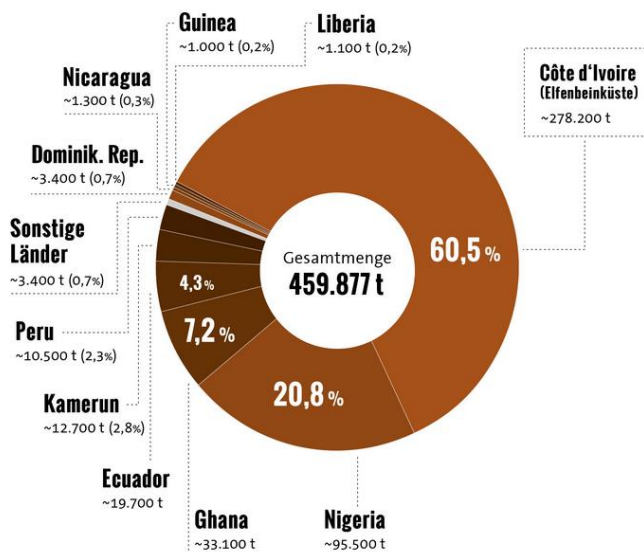
⁸ Source: [Ivoire Business](#)

⁹ Source: [ITC Trade Map](#)

1. **Large multinational companies:** Some of the grinders active in Côte d'Ivoire also have their facilities in Europe (Barry Callebaut, Cargill, Olam and Cémoi). They are complemented by a few additional worldwide active grinders such as Ecom/Dutch Cocoa, Nederland SA and Natra, as well as a small number of other European grinders.¹⁰
2. **Chocolate brands acting as grinders:** A few European chocolate brands source beans directly from Ivorian farmers – with support of local registered exporters – and process them into intermediate products and then chocolate. One example would be the French Fairtrade company Ethiquable.

The multinational and European grinding industry – whether the cocoa beans are ground inside the country of Côte d'Ivoire or in Europe – supplies then the large part of European chocolate brands, chocolatiers, and even bean-to-bar manufacturers (as traceability through certification schemes is very well possible with the international grinders). Taking Germany as an example, Figure 4 and Table 1 support the assumption that almost all the cocoa coming from Côte d'Ivoire follows exactly this path of market entry.

Figure 4: Origins of imported beans to Germany



Source: [BDSI](#)

Table 1: Brand market share in Germany

Brand name	%
1. Ferrero	21.6
2. Mars	10.2
3. Mondelez International	9.5
4. Alfred Ritter	7.5
5. Lindt & Sprüngli	7.0
6. August Storck	6.9
7. Nestlé	4.3
8. Baronie Chocolates Belgium	1.9
9. Krüger	1.8
10. Private supermarket labels	20.9
11. Other	8.4

Source: [Mintel Chocolate Confectionery Overview](#)

All brands which occupy places 1-9 in the market share in Germany are the clients of the large-scale cocoa grinding industry or have their own grinding facility. Companies producing private label chocolate products (20,9%) are also sourcing their ingredients from the large-scale processing industry or are grinding the beans themselves. Private label products are mostly products produced for supermarkets' own labels. Only the 8,4% of other players in the German chocolate market *might* follow a different market channel, but of course the actors under this category are also very likely to source their products from the professional grinding industry.

¹⁰ See: [European Cocoa Association Grind Stats](#)

This analysis of Germany does, of course, not consider the beans and intermediate products arriving onto the German market via for example The Netherlands. However, according to ITC Trade Map statistics, the import shares of beans (45%) and cocoa paste (65%) from Côte d'Ivoire are comparable in The Netherlands to Germany.

In short, the existing data as well as all interviewees confirm that almost all cocoa beans cultivated in Côte d'Ivoire go via the bulk goods production channels into the production of mainstream chocolate or other food products containing cocoa, whether grinding takes place at origin or in the EU.

An important aspect in the regulation of the cocoa sector in Côte d'Ivoire is the Conseil Café Cacao (CCC). The government body sets not only the minimum price for beans each season, but it also regulates export procedures. On the one hand, the exporting entity – it can be a producer cooperative as well as an export trading company – must be authorized for export by the CCC. Receiving this export license is a costly procedure, during which bank guarantees need to be secured and license fees need to be calculated. Smaller producer cooperatives face a challenge to actually become independent in this regard, as they usually need to cooperate with licensed exporters, even if they have a direct buyer contact outside the country. On the other hand, the cooperatives interviewed for this study who are in direct contact with European buyers confirmed that they do not see a large disadvantage operating with the trusted export licensed partners. As the export procedures can be difficult to handle and bureaucratic, the partners having experience in this area are well appreciated.

On the other hand, traders who buy from Côte d'Ivoire also need to be registered with the CCC. After having had some examples where international traders did not honor buying contracts to Ivorian producers, the CCC introduced this system. This means that European smaller buyers, who might be interested in buying from Côte d'Ivoire, face a bureaucratic system, which also involves bank guarantees to secure payment promises. Naturally, such processes can be handled well by the multinationals and large experienced companies, but smaller new buyers are certainly scared by such cumbersome procedures. However, those companies interviewed for this study who source from cooperatives explained that they do not deal with these procedures themselves. Export licensed and experienced partners handle this and are also well appreciated for their support.

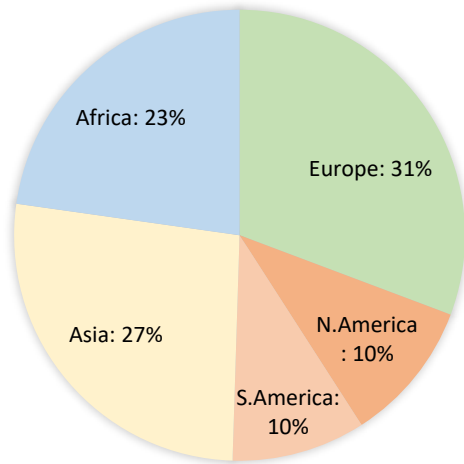
All in all, the system of export licensing in Côte d'Ivoire is not very inviting to new actors entering the scene and cements a status quo. The main argument for such a rigid system is that many new actors might not be trustworthy – buyers and producers alike – in honoring their contracts. At the same time, opening up the cocoa sector from commodity trade to more direct buyer-seller relationships becomes very difficult in such a setting. It is, however, possible to operate efficiently within the system, also as a smaller buyer, by cooperating with partners.

3.1.2. Demand for cocoa beans

The European demand for cocoa beans as raw material is based on the European grinding industry's demand. Europe accounts for the largest cocoa grinding activities in the world. Cocoa bean grindings serve as a proxy for market demand, as almost all beans entering the chocolate industry pass via this

channel (see previous chapter). With around 31% of global grindings in 2019/2020 (see Figure 5), Europe is the largest grinding region in the world.

Figure 5: Worldwide grinding of cocoa beans (in %)

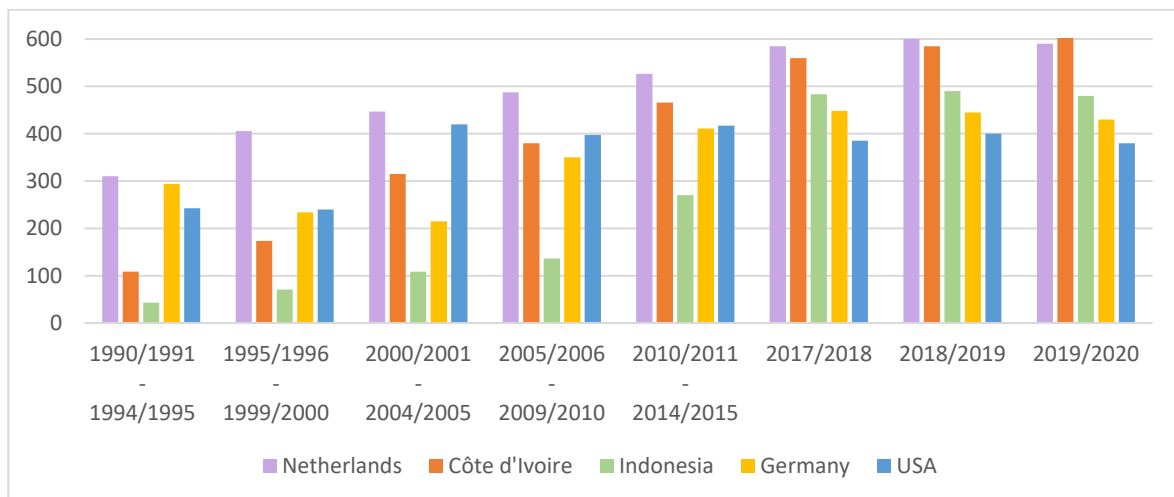


The largest European grinding industry is in the Netherlands. An estimated 590,000 tons of cocoa beans were processed by the Dutch industry players in the 2019/2020 season. Germany, with an estimated amount of 430,000 tons is the country with the second largest grinding industry, followed by France (140,000 tons), Spain (90,000 tons), the United Kingdom (55,000 tons) and Switzerland (45,000 tons).

While over many years, the Netherlands were home to the world's largest cocoa grinding industry, they were recently

surpassed by Côte d'Ivoire. Figure 6 shows the development of the five largest processing countries. It illustrates the investments which have been done over the years particularly in Côte d'Ivoire and Indonesia, where local cocoa is now more and more processed into intermediate products before being exported. Grinding at origin has been used as a strategy by large multinationals such as Cargill, Olam and Barry Callebaut to lower production costs as well as to target regional markets.¹¹

Figure 6: Development of the five largest processing countries of cocoa beans (in 1,000 tons)



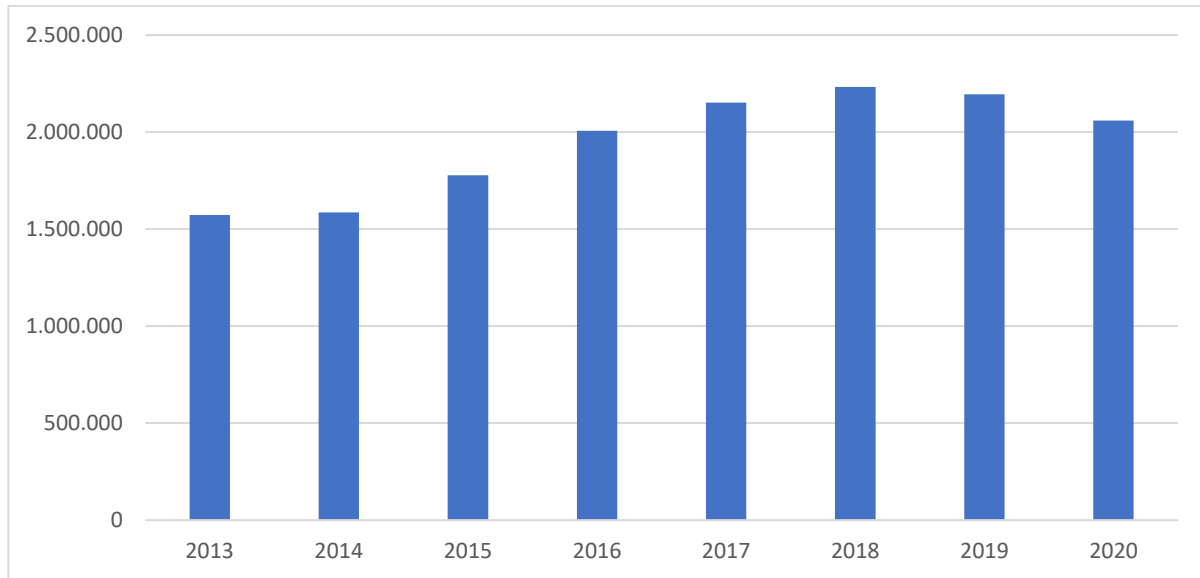
Source: [Verein der am Rohkakaohandel beteiligten Firmen e.V.](http://www.vdh.de)

Since the 1990s, the worldwide amount of cocoa beans demanded for grinding has grown from 2,413,300 tons to 4,634,900 tons. However, it is important to notice that for the past ten years, overall growth has slowed down significantly.

¹¹ Source: [CBI Market Information – The European market potential for semi-finished cocoa products](https://www.cbi.eu)

The total imports of cocoa beans (HS 1801) into the EU amounted to a little over 2 million tons in 2020. Data suggests that imports have declined slightly in the past year (Figure 7). However, this is likely to be related to the difficulties that the worldwide COVID-19 pandemic caused in the sector; trade figures in late 2021 will indicate whether this decline in cocoa bean import to the EU will prevail or has merely been a short phase. Some research on the European consumption market indicates that the market is mature with a tendency to stagnate or even decrease.¹²

Figure 7: Imports of cocoa beans to the European Union (in tons)



Source: [ITC Trade Map](#)

About 74% of European cocoa imports are supplied by West Africa. These imports mainly consist of bulk cocoa of the *Forastero* variety. Special variety cocoa beans, including fine flavor cocoa, is mainly sourced from Latin America. But with 6.8% of total European imports in 2019, Latin American suppliers only accounted for a small share of total imports.¹³

In conclusion, the yearly demand for cocoa beans in the EU is around 2 million tons, a bit more in the past years, but declining slightly in 2020. Imports had a considerable growth rate up until 2017, but since then seem mostly stable. Cocoa beans from Côte d'Ivoire follow the regular path through one of the licensed cocoa traders onto the European grinding industry. The EU import market for beans is not expected to grow much in the upcoming years, as also many companies are investing into grinding at the source of origin.

3.1.3. Demand for intermediate products as ingredients to the food industry

Intermediate products include cocoa liquor/paste/couverture and cocoa butter used in the chocolate industry, as well as cocoa powder, mainly demanded in the beverage industry. The baking industry demands both cocoa paste and cocoa powder.

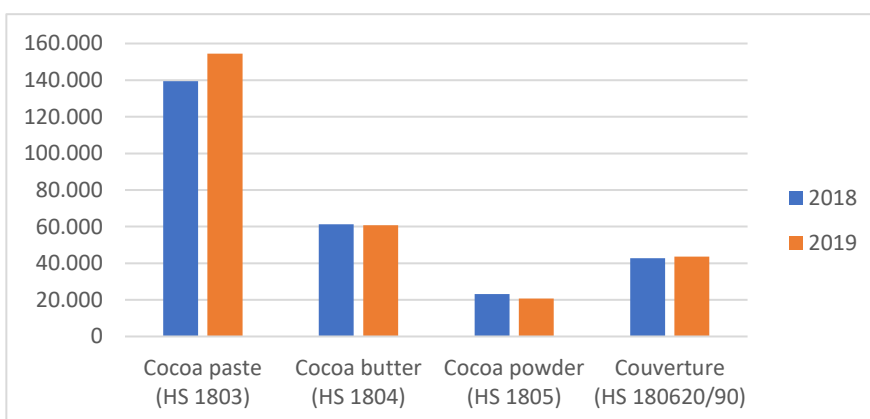
¹² Source: [FAO/BASIC – Comparative study on the distribution of value in European chocolate chains](#)

¹³ Source: [CBI Market Information – What is the demand for cocoa on the European market?](#)

In the previous chapters, it was explained that nearly 100% of cocoa beans produced in Côte d'Ivoire for the market of the European Union go into the production of mainstream chocolate products. Theoretically, the demand for intermediate cocoa products according to HS codes 1803 (cocoa liquor/paste¹⁴), 1804 (cocoa butter) and 1805 (cocoa powder) would therefore be a combination of those products exported from Côte d'Ivoire into the EU as well as those products produced from the exported beans from Côte d'Ivoire inside Europe. In other words, since almost all cocoa beans are processed into intermediate products for chocolate, the volumes of raw cocoa beans and intermediate cocoa products reflect the same demand – only the form of the product is different.

When looking at the grinding taking place inside Côte d'Ivoire, Figure 8 explains that by far the largest volume of exported product is cocoa paste. Butter and powder are also produced and exported to the EU, but in much smaller volumes. There

Figure 8: Export of different intermediate products from Côte d'Ivoire to the EU (in tons)

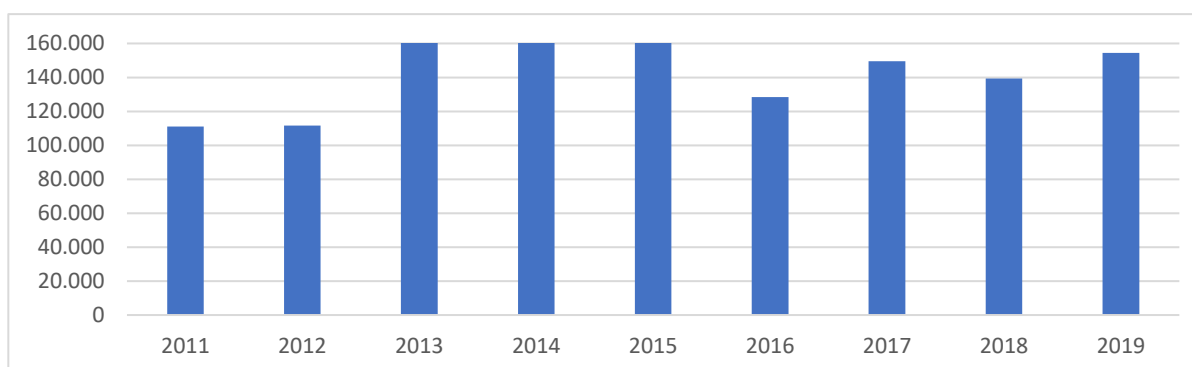


Source: [ITC Trade Map](#)

is also a considerable number of exports under the HS codes 180620 and 180690, which are the products already prepared to some extent, the so-called couverture.

The development over the years of exports of cocoa paste, as an example, from Côte d'Ivoire to the EU (see Figure 9) shows relatively stable numbers over the past seven years; and the lower export volumes before are likely to be the result of the enlargement of local multinational grinding facilities inside the country, rather than a real change in demand of intermediate products on the European chocolate manufacturer market.

Figure 9: Export volumes of cocoa paste (HS 1803) from Côte d'Ivoire to the EU (in tons)



Source: [ITC Trade Map](#)

¹⁴ CBI's study "[The European market potential for semi-finished cocoa products](#)" mentions another intermediate product, the couverture. AS couverture is a particular kind of cocoa paste, it falls under HS 1803.

However, when looking at the question of demand for intermediate products with an interest in alternative marketing of cocoa products outside the marketing channel of multinational grinders, the following picture evolves:

1. Non-multinational grinders in Côte d'Ivoire export their intermediate products either directly to the international chocolate brands or, if they do not have these direct contacts, export to them via the other grinders at origin. But in any case, they run professional grinding facilities with also large grinding capacities. Successful factories need to have high technical standards and follow international production standards.
2. The EU market demand for intermediate products produced in a sort of more artisanal way in small scale cooperative facilities or SME factories must be estimated as almost non-existent. Exceptions – which were not found during the research for this study but might exist – could be small scale individual projects.

While some amount of beans is exported via alternative market channels, intermediate products are not. This seems to indicate that those chocolate manufacturers who are in fact interested in cooperating directly with Ivorian farmers, ensuring complete traceability and having the importance of fair trade and a higher benefit for the farmers in mind, are – on the other hand – not interested in importing processed intermediate cocoa products from Côte d'Ivoire at the moment. The company Ethiquable, which has a very strong mentality towards producer empowerment and local impact, had in the past done some trials in this regard with a local processing entity. But the quality requirements of Ethiquable could not be met, so the processing was transferred to France. At some point, they confirmed to reevaluate this area; but Ethiquable has a very strong mentality and mission and must be seen as an individual case.

Table 2: Top 10 countries exporting highest value of chocolate products in 2019 (in % worldwide)

Country	%
1. Germany	16.9
2. Belgium	10.9
3. Italy	7.3
4. The Netherlands	7.0
5. Poland	6.3
6. United States	5.7
7. Canada	5.5
8. France	4.2
9. United Kingdom	3.3
10. Switzerland	2.9

Source: [World's Top Exports](#)

3.1.4. Demand for final consumer products

In 2018, the EU produced an estimated 6.5 million tons of products containing cocoa, at a value of EUR 17.5 billion. These products include chocolate tablets and bars, pralines, spreads, and confectionery containing cocoa. European production of these products is estimated to an average

annual growth of almost 12% between 2014 and 2018.¹⁵ In 2019, Germany was the leading exporter of chocolate products worldwide (see

¹⁵ Source: [CBI Market Information – The European market potential for semi-finished cocoa products](#)

Table 2). Several European countries lead the list of global chocolate exporters, completed by the United States and Canada.

Before the COVID-19 crisis, global demand for chocolate was expected to grow by an estimated average annual rate of 3.4% to 4.5% till 2024.¹⁶ Although it is difficult to predict what the actual effects of the COVID-19 crisis will be, it is expected that the larger part of the chocolate market will survive the effects of the pandemic without too much damage.¹⁷

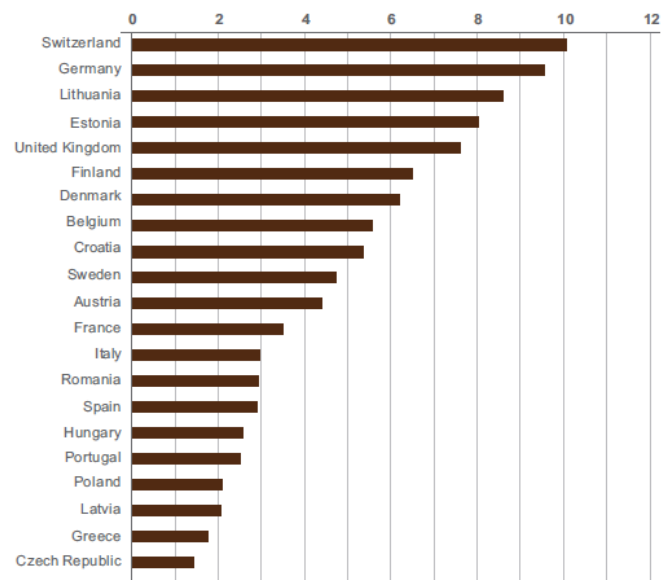
Competition on the international chocolate market is fierce. In Table 1, one can see that only 8.4% of the chocolate confectionary market in Germany are outside the realm of the dominating large companies. In the interviews it was estimated that the top five German retailers (Edeka Group (incl. Edeka and Netto supermarkets), Rewe Group (incl. Rewe and Penny supermarkets), Schwarz Group (incl. Lidl and Kaufland supermarkets), Aldi Group and Metro AG have a market share of over 80% for cocoa-based products, with Aldi and Lidl – the biggest discounters – selling around 40% already.

Figure 10 shows how many kilos of chocolate confectionary Europeans eat per year. The same source also analyzes that the trend in consumption in Europe is not changing very much in recent years. The amount of chocolate consumed remains more or less the same.

This might, however, not be true for other regions in the world. For the Asia Pacific region, for example, markets are still growing at an estimated rate of 5.4% annually.¹⁸ This higher demand, in turn, might lead to higher demands for manufacturing at the multinational brands producing in Europe, as those are likely to expand their sales into such new markets as well.

But with regard to the demand in the EU for cocoa-based food products manufactured by a potential *new* brand entering the market, it must be made clear that a new chocolate manufacturer – no matter where the company is based – has to *displace* part of the existing market. Crowding-out effects reallocate demand needs, but no additional

Figure 10: European Chocolate Confectionery Consumption (in kg per person) in 2015



Source: [The Manufacturing Confectioner 2018](#), summarizing the Caobisco Statistical Bulletin

¹⁶ Source: [Mordor Intelligence – Chocolate Market 2021-2024](#)

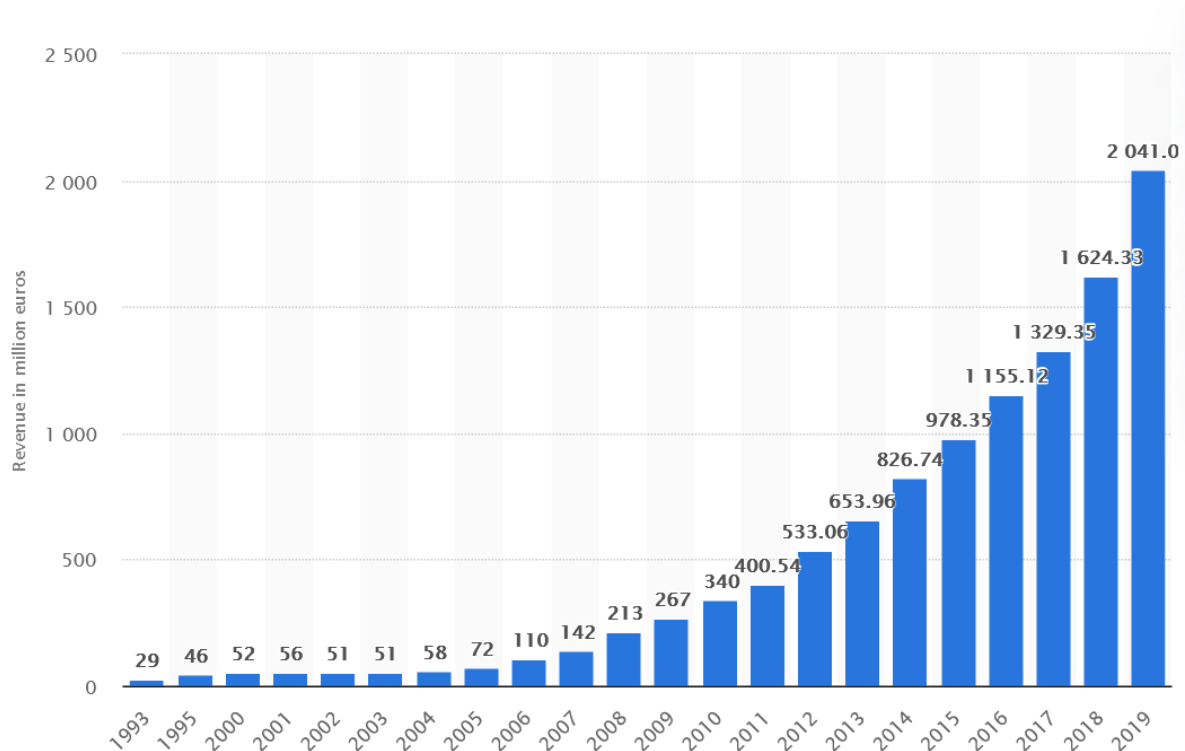
¹⁷ Source: [CBI – The bittersweet impact of COVID-19 on the cocoa and chocolate market](#)

¹⁸ Source: [Fortune – Asia Pacific Cocoa and Chocolate Market](#)

demand is likely to be created in Europe to a noteworthy extent.

The main drivers for reallocation of business in the chocolate industry are trends such as fairness, sustainability, organic production, traceability, and exquisiteness – see chapter 5 for further explanations on these trends. The trends have given room in recent year for the development of some smaller brands and some bean-to-bar manufacturers working closely together with their cocoa bean suppliers in the countries of origin. A significant amount of those products is sold in fair trade shops to a growing number of consumers asking for fairly traded products (see Figure 11).

Figure 11: Revenue from fair trade products in Germany from 1993 to 2019 (in Mio. EUR)



Source: [Statista](#)

Some of such rather innovative brands have made it – in Germany – onto the shelves of regular supermarkets, for example the chocolates of Tony Choclonely, a Dutch manufacturer who is one of the few European chocolatiers sourcing its beans directly from seven cocoa cooperatives in Côte d’Ivoire and Ghana. Their chocolates are available in the supermarket chains Rewe and Edeka.

But chocolate products manufactured in Côte d’Ivoire as a widely available product listed with any larger supermarket chains in Europe could not be found for this study. An interesting example of chocolates manufactured as final consumer products in West Africa provides the company fairafric whose production is based in Ghana. Their chocolates manufactured in Ghana are also listed with the supermarkets Rewe and Edeka, as well as available in Fairtrade shops. The company was founded by a German-Ghanaian partnership in 2016. It is – most likely – the only cocoa-based final product manufactured in West Africa available to a larger consumer public in Germany.

Regarding the possibility to market consumer products produced for example by chocolatiers in Côte d'Ivoire, an important aspect is also the capability to manufacture a product according to the taste of the consumer. Whoever has, as a European, tasted an American chocolate brand can very well tell the difference in taste of chocolate products. It requires a lot of experience and technical expertise in the processes of roasting, refining and conching, which have been adapted to the consumer market over decades, to produce a product for the European consumer.

Furthermore, the ingredients define the taste a European consumer likes. Products based solely on cocoa without milk powder, for example, are only appreciated by a very special kind of consumer. But these are – out of the lack of availability of the ingredients – often the chocolates produced by local chocolatiers. The formula suitable for a larger public, such as fairafric in Ghana designed, depend on additional ingredients, which need to be imported for the chocolate production.

At this moment, therefore, it can be safely stated that the demand for cocoa-based final consumer products manufactured in Côte d'Ivoire in Europe is not yet very high. There are very few local chocolatiers, for example Le Chocolatier Ivorian, MonChoco and Cocoaland, who have opened points of sale in France, small shops that sell their Ivorian specialty chocolate. The interviewed representatives confirm to have success with this business model, but it is very small scale and often also based on personal diaspora contacts in France.

3.2. Demand for cocoa-based cosmetic products and their ingredients

This study could not define the exact division of the use of cocoa-based ingredients between the food and the cosmetics sector. Neither the HS codes for ingredients, nor for final cosmetic products distinguish such numbers.

3.2.1. Market channels and definition of buyer segments

The market channel for cosmetic products with cocoa-based ingredients appears to be quite straight forward and not as diversified as in the food segment. In the mainstream market, there does not seem to be a product established for final consumer use made in Côte d'Ivoire (see also chapter 3.2.3). The only noteworthy product based on cocoa entering the cosmetics value chain at the moment is the cocoa butter as an ingredient.

Figure 12: Prevailing market channels for cocoa butter for cosmetic use from Côte d'Ivoire to the EU



Figure 12 illustrates what the interviewees confirmed: cocoa butter is mainly bought by European specialized vegetable oil traders, who in turn buy it from the large grinding facilities in Europe. There is no evidence that any local producer in Côte d'Ivoire exports cocoa butter for cosmetic use to the EU.

3.2.2. Demand for intermediate products as ingredients to the cosmetics industry

Overall, the demand in general for cocoa butter for the cosmetics industry seems to be rather low. The specialized traders in Germany who provided information for this study traded between less than one ton (!) and 60 tons a year. A rough calculation, considering the limited number of specialized traders in Europe and the amounts the ones interviewed reported, leads to the assumption that around 200 to 300 tons of cocoa butter go into the manufacturing of cosmetic and personal care applications in the EU each year.

There is no evidence that any of this butter is imported as intermediate product from Côte d'Ivoire, let alone from cooperative manufacturing or SME production. Unlike the direct import of shea butter, which is favored by many vegetable oil traders, cocoa butter is not usually sourced with cooperatives for several reasons:

1. The demand seems to be very low for many European companies, compared to other products such as shea; so, the interest is not that high to source at origin in general. Sourcing from Côte d'Ivoire with its strict regulation in exporting intermediate products is even less considered "worth the trouble".
2. Most of the cocoa butter used in cosmetics production, except for some "all natural" brands, is de-odorized / odorless cocoa butter, instead of natural cocoa butter. This product can only be produced in professional manufacturing and usually not in small scale units.
3. Solid cocoa butter at producer level is usually traded in 25kg blocks, which are not the favored size for trade further down the value chain. Cosmetic manufacturers prefer small pellets. These are prepared by the manufacturers in Europe before they sell to the specialized vegetable oils traders or cosmetic brands.

Research shows that Lush has a project sourcing natural cocoa butter from the Congo (apparently mostly for their US production).¹⁹ This seems to be a working model for this ethical sourcing company, but it is an individual project which does not represent the overall market demand.

There has been some rumor and hearsay about a little bit of demand for another cocoa-based cosmetic ingredient, namely the cocoa shells ground into a sort of coarse powder to be used for peeling effects. But such demands could not safely be confirmed to a noteworthy extent during the interviews for this study.

¹⁹ Sources: [Treehugger – How Lush Is Supporting Cocoa Butter Farmers in the Congo](#)

3.2.3. Demand for final consumer products

There are a few products available to a wider public in the EU which are marketed by cocoa butter as their central ingredients. However, these are manufactured in Europe, as it seems. The Body Shop, Lush and possibly some other brands have such products in their product range. But there is no evidence that there is a market demand for a final cosmetic product (based on cocoa butter or any other formula) manufactured in Côte d'Ivoire on the EU market.

Some trends for niche products coming from the African continent exist (see chapter 4), but it is extremely difficult to bring a final consumer product onto the EU market in the cosmetics sector. The process of legally registering a cosmetics product is very costly and must be done with a representation in the EU (see chapter 5.2). It is a very high hurdle for producers in developing countries, which is often much more difficult to overcome than putting a final food consumer product onto the market.

The EU Cosmetics Regulation is sometimes disregarded by African exporters; through channels of diaspora connections and in Germany so called "Africa Shops" products are imported and put onto the market – particularly in the cosmetics area – which are not legally registered. The same happens often when cosmetic products are sold to Europeans via online shops from outside the EU.

This is a thorn in the eye of EU-based cosmetics companies, not only the large ones, but particularly the small-scale ones. They have often invested large amounts of money to follow the EU Cosmetics Regulation and can/will sometimes report violations they see done by competitors. This aspect is often unknown to African producers of cosmetic products. Violation fees are not uncommon.

In short, the EU market is not actively looking for any cocoa-based cosmetic product from Africa or Côte d'Ivoire in its final stage; there were not even any small projects found in this regard which can be confirmed as correctly implemented from a legal point of view.

3.3. Demand for additional products derived from cocoa

Products which are neither part of the chocolate-based food sector nor the cosmetics sector and therefore would fall under yet another category of products are not in a very high demand in Europe. It can hardly be determined how big the demand is in actual numbers, but the insight into the market by several experts and actors active in this field suggest that the need for these products is extremely low – and if there is a need, the products are not sourced from Africa, but rather from innovational manufacturing partnerships with Latin American companies.

Some of the cocoa butter mentioned in the chapter above is not going into the cosmetics sector, but technically going into the pharmaceutical sector. An ingredient allowed to be used in pharmaceuticals, however, must be produced by registered producers outside or inside the European Union, a process which is extremely difficult and requires a very high process quality in production. This is usually

guaranteed by manufacturing the ingredient inside the EU; in short, it is very likely that there is *no* cocoa butter manufacturer outside the EU which is registered for pharmaceutical use.²⁰

The only product mentioned by a couple of interviewees, which has some presence on the market, is the cocoa pulp. Generally, there is a growing trend towards the formulation of new kinds of fruit juices, smoothies, and the like, applying innovative ingredients and raising the attention of the consumer. The cocoa pulp has a good taste and its background story – “use of the whole cocoa plant instead of only the beans” – gives a nice marketing touch.

When introducing a food product onto the European market, which has never been marketed before, the EU has a special legislation called [Novel Food Regulation](#). This regulation requires an official process of registering any food product which has not been consumed by Europeans regularly before 1997 – proving that this food is safe to eat and has been consumed by non-Europeans for a considerable amount of time. Cocoa pulp fell under this legislation; it was only legally authorized for consumption in the EU on 14 February 2020 by [Regulation \(EU\) 2020/206](#). This means, cocoa fruit pulp has only been placed on the EU market for around 1.5 years.

It is not possible to define a quantity of import for this product, as the HS code 2008 does not distinguish cocoa fruit pulp from other pulps. But the import is not likely to be more than a couple of containers a year just yet. However, an interesting development is that the large players in the chocolate industry entered this market. Their engagement and pushing for the product will most likely create a demand in the following years. Smaller traders in fruits pulps are likely to jump on that wagon and the market will grow – as it has happened with other products in the past, too.

Barry Callebaut created the brand “[Cabosse Naturals](#)”, which has also been responsible for launching the application for the product under the Novel Food Regulation. The traders of fruit pulps are already introducing the cocoa in their product portfolio, for example [Bösch Boden Spies](#) and [Tropextrakt](#) in Germany or [Dirafrost](#) in the Netherlands. Nestlé launched a chocolate sweetened with cocoa pulp called “[Incoa](#)” in France and the Netherlands in February 2021, while Ritter Sport did the same with their “[Cacao y Nada](#)” chocolate in Germany. Some start-ups such as [Kumasi Drinks](#) in the Netherlands or [Koa](#) in Switzerland are introducing cocoa juice fruit drinks to small niche markets. All these developments suggest that the demand for this product will rise in the upcoming years.

4. Market trends and niche markets

The market for cocoa-based products in the European Union is very large and also quite diverse. For decades, the actors in this market have adapted to changing trends and fostered innovations on many levels. Market trends are often set by the European countries or North America, which then eventually spread over the world. The most important trends are described in the following sub-chapters.

²⁰ The regulations and laws for the authorization of pharmaceutical products are rather complex and cannot in detail be analyzed for this study. The [European Medicines Agency \(EMA\)](#) can give all relevant information, for example a leaflet on the [European regulatory system for medicines](#).

4.1. Full traceability

Traceability is actually not simply a market trend, it has become increasingly important for quality control and food safety along all food value chains, as well as social compliance issues. In the cocoa sector, the focus on traceability of the cocoa bean to the producer cooperative increased especially during the past ten years. Traceability is not uniformly defined across the sector, but there are generally two different traceability approaches: On the one hand there is the application of an independent certification scheme, on the other hand large industry players also install their very own traceability scheme. It is, however, the case in most approaches that a traceability is secured only to the cooperative, but not down to each farmer producing the cocoa.

The common independent certification schemes in the cocoa sector regarding the EU are:

- [UTZ](#) and [Rainforest Alliance](#) – formerly competing standards who have merged in 2018 and launched a joint cocoa standard in 2019
- [Fairtrade International](#) – the leading standard worldwide establishing Fairtrade Minimum Prices
- [EU Organic certification](#) – a standard set by the EU which can be awarded by accredited certification bodies

While they also have additional valuable goals, traceability is seen as inherent to these certifications; therefore, cocoa certified according to these standards is regarded as fully traceable, even though only the organic certification ensures a bean traceable to the field it grew on. Worldwide, there is no exact data available on certified cocoa trade, but the World Cocoa Foundation estimates that around 22% of globally traded cocoa is certified.²¹

Many multinational brands and traders have set up their own sustainability schemes, not only to ensure full traceability, but supposed to tackle also social and environmental issues, sometimes in cooperation with the above-mentioned independent certification bodies. Examples include:

- Nestlé: [The Nestlé Cocoa Plan](#)
- Mars: [Cocoa for Generations](#)
- Mondelez: [Cocoa Life](#)
- Barry Callebaut: [Forever Chocolate](#)
- Cargill: [Cocoa Promise](#)

Traceability according to one of these schemes – independent or private – is the basis for working on most of the problematic issues along the cocoa value chain, such as child labor, deforestation and fair payments. So, it has become more than just a market trend with European actors.

The Cocoabarometer asked leading international brands and traders for the percentage of their cocoa which can be traced back to at least the cooperative who produced it. It varies from as low as 30% to 100% full traceability, but in average the 15 leading industry players confirmed that 59% of their cocoa

²¹ Source: [CBI – The European market potential for certified cocoa](#)

beans are traceable.²² European countries have started to debate the responsibility for due diligence along the supply chain in the cocoa (and other) sectors; some Governments are starting to put regulations in place, which will require – first and foremost – a full traceability of the product. Germany, for example, is currently putting the *Lieferkettengesetz* in place, which might not yet require companies to guarantee for example human rights implementation along the full supply chain, but sooner or later such regulations will probably come into place on national or even European level. So multinational players are already preparing for this; traceability is not really an option anymore, the consensus of the actors in the cocoa sector is that traceability is necessary and needs to be improved where it is not yet in place.

However, traceability down to the farmer's level is also very difficult to achieve. Families, neighbors, and cooperative members are often mixing up their harvests, buying additional quantities from nearby and do not always fully adhere to the traceability system. But while 10-15 years back most of the cocoa was not even traceable to the cooperative level, this is now the case in – taking the inquiry of the Cocoabarometer as a source – almost 60%. Actors all along the value chain are recognizing the importance of traceability; and it is a brought consensus that all actors along the chain must work to increase traceability.

4.2. Fairness and social justice

Along with traceability goes the important discussion about fairness and social justice in the cocoa sector. For many farmers around the world cocoa is not at all a “sweet” business. The issues of injustice are discussed and explained in many papers, studies and international conferences. The Cocoabarometer 2020 sums it up very appropriately: “Poverty is still a daily reality for most smallholder cocoa farmers. Child labor is still rife throughout West Africa. Old-growth forests are still being cut down for cocoa production. Gender inequality remains the rule rather than the exception in many cocoa growing regions. Farmer empowerment often does not go further than being able to decide what the small premium is spent on.”²³ In addition, it is known, studied and well documented that the current prices paid for bulk cocoa to farmers across West Africa do not enable a living income.²⁴ In Côte d'Ivoire, the price necessary to ensure a living income was calculated at USD 3.2 for one kg of cocoa beans by the Cocoabarometer.²⁵ Reality is usually not reaching such prices.

Particularly difficult remains also the issue of child labor in Côte d'Ivoire. The Cocoabarometer describes the current state of the issue in its chapter on human rights quite well. Around 1.5 million children still work in the cocoa sectors of Côte d'Ivoire and Ghana. Certainly, the root cause of child labor is poverty and in certain cases possibly also a lack of information and problem awareness, but most countries, international players and actors along the value chain recognize the importance of fighting child labor. Interestingly enough, the companies interviewed for the Cocoabarometer might recognize the problem, but not much is done to improve the situation: “Very few companies report

²² Source: [Cocoabarometer 2020](#)

²³ Source: [Cocoabarometer 2020](#)

²⁴ Source: [Cocoabarometer 2020](#)

²⁵ Source: [Cocoabarometer 2020 – Datasheet Necessary Farm Gate Prices for a Living Income](#)

the numbers, but the few available figures prove that even within successful projects many or even most children continue working.”²⁶ From a market perspective, chocolate brands – big or small – are aware that involvement in child labor can cause damage to their image; therefore, there are many initiatives tackling this issue. For the European consumer it become more and more important to not support such production practices.

It seems cynical to describe the fight against child labor and other social injustices such as gender issues as a “market trend”. However, market trends define shifts in market developments; and these issues are becoming more and more important and therefore cause changes in the approaches of buyers from Europe for example towards their suppliers. How companies follow this “trend in supporting more social justice” is described in the chapter below regarding buyer requirements.

4.3. Specialty chocolates, single origin products and “storytelling”

European consumers are increasingly interested in something “special”, a product they can identify with. Storytelling has been listed as a top trend in the food market for 2020.²⁷ This is also linked to the growing importance of origin of cocoa, which can be supported by storytelling and traceability. Cocoa importers and chocolate makers use the stories at origin in their communication with consumers. By telling an appealing story, consumers feel connected to the cocoa’s origin and the producers, adding value to the final chocolate product.

Along with such trends comes the rising demand for “specialty cocoa”. The term can be widely applied, but usually refers to cocoa, which is very well traceable, possesses unique qualities (e.g., bean genetics or origin), is harvested applying good harvesting and post-harvest measures and often is certified with one of the more unique certifications such as Fairtrade or organic. In many cases, the special taste of the chocolate is also a characteristic for a specialty cocoa; and this is often based on the variety of the cocoa beans, or a taste acquired by a single origin, for example *Criollo* or *Trinitario* varieties. Even though the specialty market makes up only 10% of the European chocolate market, it is the fastest growing market segment.²⁸ However, cocoa marketed as specialty usually does not come from West Africa. Since it is often related to the beans variety as well as exceptional traceability and harvesting techniques, specialty cocoa usually comes from Latin America.

A strong indication of the growing demand for specialty cocoa and chocolate is the steep increase of bean-to-bar chocolate makers in recent years. Although bean-to-bar makers also work with mainstream quality cocoa, they mainly work with high-quality cocoa. Bean-to-bar makers control every step of the production process and only want to process the highest quality beans.

²⁶ Source: [Cocoabarometer 2020](#)

²⁷ Source: [FoodIngredientsFirst](#)

²⁸ Source: [CBI – The European market potential for specialty cocoa](#)

Within the specialty cocoa market, there is a special category for cocoa beans with particular flavor attributes, the fine flavor cocoa. Fine flavor cocoa refers to cocoa beans of exceptional quality, which bring specific flavors and aroma to fine chocolates and couvertures. This segment represents about 6% of global cocoa production.²⁹ However, the International Cocoa Council defines in its International Cocoa Agreement which countries are producing fine flavor cocoa; and it is not produced in West Africa.³⁰

For the marketing, specialty and fine flavor chocolates are often also labelled as single origin products. This means that the origin of the cocoa beans is presented to the consumer. Such trends are, however, so far very rare for chocolates made from Ivorian cocoa. Only a few chocolate products exist in European supermarkets that clearly state Côte d'Ivoire as the origin of the beans, such as a product manufactured by Ethiquable (see on the right) – which is not even a single origin product, as the Ivorian beans are apparently mixed with beans from Ecuador.

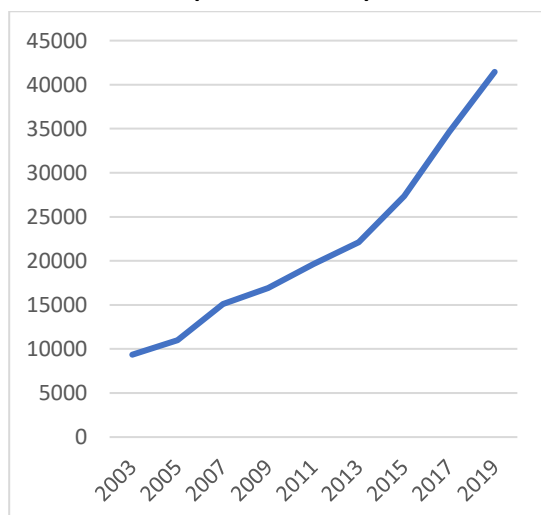


Source: [Ethiquable](https://www.ethiquable.com/)

When referring to Côte d'Ivoire, in any case, the term of “specialty cocoa” is most likely to be used to define a special relationship to the producers, an extraordinary traceability or the support of special measures to improve the economic and social situation of farmers rather than a very high quality. This sort of marketing falls rather under the aspect of “storytelling” than the classical notion of specialty cocoa.

4.4. Organic consumption and the demand for “healthier” sweets

Figure 13: Organic retail sales in the EU 2003-2019 (in Billion EUR)



Source: [FiBL Statistics](https://www.fibl.de/en/statistics)

Since organic production of foods became a trend about 30 years ago, the European market for organic food products does not cease to grow (see Figure 13). The German Forschungsinstitut für biologischen Landbau (FiBL) states that, in 2019, it increased by another 8% and reached EUR 45.0 billion in Europe. The largest retail market is Germany with EUR 12.0 billion in terms of volume, while Denmark’s population consumes the highest share of food in organic certified quality (12.1%), followed by Switzerland with a share of 10.4% and Austria with 9.3%.³¹

The trend for organic becomes more and more important. Organic products are available in many price ranges nowadays, in regular retail markets,

²⁹ Source: [CBI – The European market potential for specialty cocoa](https://www.cbi.europa.eu/)

³⁰ Source: [ICCO – Annex C of the International Cocoa Agreement](https://www.icco.int/)

³¹ Source: [FiBL Statistics](https://www.fibl.de/en/statistics)

discounters and special organic shops and supermarkets. These products all need to follow the [EU Regulation 2018/848](#) on organic production and labelling of organic products.

The largest markets for organic product in Europe are Germany and France (both over EUR 11.0 billion), followed by Italy, Switzerland, the United Kingdom, Denmark, Austria, and The Netherlands. Eastern European countries still have very small organic markets but are rapidly growing. In Poland, for example, the retail sales of organic products have doubled between 2015 and 2019.¹⁵

These general food trends are also reflected onto the market for cocoa-based food products. It is estimated that the global organic chocolate market will grow annually by 3% from 2020 to 2024.³² Some markets have incredible growth rates, such as France, for example, where the market for organic chocolate grew by 21% in 2016.³³ The organic cocoa market represents a very small share of the total cocoa market, estimated at less than 0.5% of total production. The International Cocoa Organization (ICCO) estimates a production of certified organic cocoa at 15,500 tons per year.³⁴ The economic benefit for cocoa farmers is that organic cocoa pays a premium of USD 100 to USD 300 per ton.

But voices from the private sector also differ. While Barry Callebaut states on their website that “the extraordinary growth in the organic offer in the last couple of years is impossible to miss; [and] the organic trend has spread through the market with more brands introducing indulgent organic experiences”³⁵, Ritter Sport’s CEO Alfred Theodor Ritter recently explained to the press that his company has stopped to produce organic certified chocolate. While Ritter Sport tried to establish organic chocolates in their product range from 2008 to 2018, consumers simply did not buy the more expensive products. So, despite a lot of marketing effort, the organic product range made no sense from an economic point of view for Ritter Sport.³⁶

The two contradictory statements illustrate very well that a market trend remains a trend for a long time until it might become mainstream. Ritter Sport chocolate is, in Germany, consumed by the mass market. But the mass consumer market, particularly in Germany, is very price sensitive. The Sweet Global Network analyzed that the fictional consumer shopping cart for confectionary products is the cheapest in Germany of *all* European countries.³⁷

The organic certification has not yet entered the mainstream market. A general market share of organic products of 12.1% as in Denmark or 5% in Germany is still a niche. However, the statement of Barry Callebaut – that the demand for the organic certification is increasing – has been also confirmed by many interviewees for this study. So organic is a trend and will most likely become a larger trend in the upcoming years.

The perception of “organic” is with the consumers very much linked to a healthier lifestyle, eating healthy products. This might also explain why organic is much less of a trend in chocolate confectionary than in other food areas. Sweets are generally not considered a healthy food; and the aspect that

³² Source: [Technavio – Global Organic Chocolate Market 2020-2024](#)

³³ Source: [Confectionery News](#)

³⁴ Source: [ICCO – Organic cocoa and chocolate](#)

³⁵ Source: [Website of Barry Callebaut](#)

³⁶ Source: [Business Insider – Ritter-Sport-Eigentümer über das Scheitern seiner Bio-Schokolade](#)

³⁷ Source: [Sweets Global Network - European Confectionary Price Barometer 2016](#)

organic also means that the production of the ingredients took place in an environmentally sustainable way is not so much anchored in the minds of the public.

Adopting healthier eating habits, however, is also a trend in chocolate not related to the organic certification as such. European consumers are increasingly concerned about the impact of food on their health and wellness. The COVID-19 crisis has made consumers even more quality and health conscious. It is expected that this increasing demand in healthy foods will continue after the crisis is over.³⁸

Generally, the consumption of darker chocolate is regarded as the healthier option, since less sugar and milk are added and more pure cocoa consumed, which contains flavonoids associated with health benefits such as lower blood pressure, improved blood vessel health and improvement in cholesterol levels. Although most Germans (55%) still prefer milk chocolate, chocolate consumers in Germany are increasingly demanding also high-quality dark chocolate. French consumers show the same trends; the French market is even more in favor of dark chocolate.³⁹ The trend for vegan food as well as the demand for lactose-free chocolate are also playing into this slight shift towards darker chocolate options in which no milk has been added.

The trend for a more natural way of life also affects the cosmetics sector.⁴⁰ There is a growing demand from consumers to not only eat healthier, but also use for natural personal care products. It is estimated that the global natural and organic cosmetic industry will grow annually by around 8% in the upcoming seven years.⁴¹ The German natural cosmetics market is by far the biggest in Europe with a market share of 8.8%.⁴²

Market research data tell us that the other European markets share only a total of approximately 0.8 billion euros. Whereas the conventional German cosmetics market grew last year by 0.5 percent to 13.6 billion (83% market share) and the nature-based cosmetics segment grew by 2 percent (8.2 percent market share), natural cosmetics, with growth of 3 percent, raised its market share to 8.8 percent.

4.5. Environmentally sustainable cultivation practices

In many countries, including Côte d'Ivoire, cocoa is a plant largely responsible for deforestation of areas to gain more hectares for cultivation. While the issues of poverty and child labor are still the dominating challenges seen in the cocoa cultivation in West Africa, the discussion about environmental sustainability became more and more important in recent years. This does not only concern deforestation, but also the loss of biodiversity, the resilience to climate change as well as the use of chemicals in cocoa cultivation.

³⁸ Source: [CBI – Which trends offer opportunities or pose threats on the European cocoa market?](#)

³⁹ Source: [FAO/BASIC – Comparative study on the distribution of value in European chocolate chains](#)

⁴⁰ Source: [in-cosmetics connect](#)

⁴¹ Source: [PRNewswire](#)

⁴² Source: [organic-market.info](#)

The Cocoabarometer states that “natural forest cover in Ghana and Côte d’Ivoire has declined by more than 70% in the past three decades”.⁴³ Much of this loss is attributed to the extension of cocoa plantations. Impacts and consequences of the disregard for environmental concerns are sometimes severe in the long run, but short-term gains often convince actors to follow practices harmful to the environment.

From a marketing perspective, there is a trend towards pushing for more sustainable practices. Activities include projects for training in better agricultural practices, information on the correct use of chemicals and pesticides or integrated pest management as well as supporting agroforestry, which enables an economic use of plants in an environmentally sound way. In 2017, the governments of Côte d’Ivoire and Ghana as well as 35 leading cocoa and chocolate companies have joined together in the [Cocoa & Forests Initiative](#) to end deforestation and restore forest areas.

So, fighting the environmental challenges that the cocoa production can bring can be a good marketing argument, especially in the European market. Companies follow this logic, but it is also very much linked with trends mentioned above, such as full traceability, certifications etc. However, at the same time, the environmental problems are also very much interlinked to the problem of poverty and economic uncertainty, so simply educating farmers about environmental sustainability will most likely not change the large problems at hand. Such activities must go hand in hand with other activities enabling farmers to have sufficient economic gains and manage their overall economic situation.

5. Market entry requirements for cocoa products in the German and European markets

There are certain legal requirements to enter the European cocoa market, including requirements to enter specific niche markets. Furthermore, European cocoa buyers increasingly apply additional requirements that suppliers need to comply with to keep up with the market and find clients. Thanks to Economic Partnership Agreements (EPA), none of the products based on cocoa pays any duty when entering the European market from Côte d’Ivoire.

The following chapters give an overview about these requirements for the product sectors of food and cosmetics. In case cocoa (butter) is used for pharmaceutical products, the manufacturer must follow additional very specific requirements authorizing the use of the product for pharmaceutical practices. Since this way of direct market entry for products from Côte d’Ivoire is at this point in time extremely unlikely, these requirements are not described in this report.⁴⁴

⁴³ Source: [Cocoabarometer](#)

⁴⁴ It is important to understand that so called health products are not pharmaceuticals. Products claiming health effects fall under the regulations for food or cosmetic products, while pharmaceuticals fall under regulations for medical products.

5.1. Requirements for cocoa-based products and their ingredients entering the European food market⁴⁵

The European Commission states that “European citizens need to have access to safe and wholesome food of highest standards”.⁴⁶ Regulations supporting this principle are implemented to guarantee the health and safety of the European consumers. The consequence is that private companies operating in Europe and selling a food product on the European market can be made legally responsible in the case a consumer comes to (potential) harm. Economically speaking, this is a high risk for the European companies; and therefore, European firms comply to these high standards and sometimes even apply higher standards to increase food safety in their products. For exporters from developing countries, it is important to keep this effect in mind: European clients are not free in deciding to make exceptions to the rules but follow a line of regulatory and economic pressures for the benefit of the European consumer.

5.1.1. Legal requirements

In 2002, the European Parliament and the Council adopted the [General Food Law Regulation \(EC\) 178/2002](#), laying down the general principles and requirements of food law. This legislation describes the general principles and requirements of food legislation, establishes the [European Food Safety Authority \(EFSA\)](#) and lays down procedures in matters of food safety. It also includes provisions on the traceability of food – the ability to track food products through the stages of production. The General Food Law is framed by many specific regulations for specific areas.

Food contaminants

Food contamination can occur at different stages of the production process due to environmental contamination, cultivation practices or processing methods. Since many contaminants are naturally occurring substances, it would be impossible to impose a total ban on them. EU legislation ensures that contaminants are kept at levels that are as low as possible so that they do not threaten human health. The levels are set on the basis of scientific advice provided by the EFSA and outlined in the [Regulation \(EC\) 1881/2006](#) setting maximum levels for certain contaminants in foodstuffs. The contaminants likely to be found in cocoa and products derived from cocoa are:

- a) heavy metals;
- b) pesticides;
- c) mycotoxins;
- d) polycyclic aromatic hydrocarbons (PAHs);
- e) microbes;
- f) foreign matter.

⁴⁵ Chapter 5.1 is an adaptation from the [CBI Market Information – What requirements must cocoa beans comply with to be allowed on the European market](#). Only selected information was added to complete the information for the purpose of this study.

⁴⁶ See the website for the [EU General Food Law](#).

In the event of repeated non-compliance of specific products originating from particular countries, stricter conditions will be implemented for a certain time period. Products from countries that have shown repeated non-compliance are put on a list that is included in the Annex of [Regulation \(EU\) 2019/1793](#).

Regarding **a) heavy metals**, cadmium is problematic in the cocoa sector, although usually not a critical issue for cocoa from Côte d'Ivoire. Therefore, it is not discussed further but reference made to the Food Safety Issues as outlined in the [Cocoa Quality Guide](#) of the European Chocolate & Cocoa Industry.

Regarding **b) pesticides**, it is important to respect the maximum residue levels (MRLs) regarding the number of pesticides allowed in food products, including cocoa, set by the EU. The use of pesticides is permitted but controlled. This is especially relevant for cocoa farmers using pesticides to fight insect infestations, such as mirid bugs and the cocoa pod borer. The respective regulation regarding the control of pesticide residues is [Regulation \(EC\) 396/2005](#). The [EU Pesticide Database](#) provides all necessary information and for an overview of the MRLs for each pesticide.

Tip for Ivorian exporters:

- Producers of cocoa beans are well advised to apply Integrated Pest Management (IPM), an agricultural pest control approach that uses complementary crop management strategies and practices to help minimize the use of pesticides. A useful source is the [European Centre for Integrated Pest Management](#).

Regarding **c) mycotoxins**, aflatoxins and ochratoxin A can for example occur in cocoa because of fungal infection of crops. They are a major cause of economic loss in the cocoa sector. The recognition of the health hazards of mycotoxins has led to regulatory limits being set around the world, particularly in the EU.

Tips for Ivorian exporters:

- Producers of cocoa beans are well advised to apply good agricultural, drying, processing and storage practices, as these have a significant influence on the development of mycotoxins.
- The Codex Alimentarius' [Code of Practice for the Prevention and Reduction of Ochratoxin A Contamination in Cocoa \(CXC 72-2013\)](#) is a helpful guideline.

Cocoa may also be contaminated by **d) polycyclic aromatic hydrocarbons (PAHs)** during the post-harvest or primary processing stages. Smoke during drying or storage is one of the main sources of PAHs in cocoa beans. The limit for benzo[a]pyrene, which is one of the most common PAHs, is 5.0 µg/kg of fat. 30 µg/kg is the limit for the total sum of PAHs.

Tips for Ivorian exporters:

- Producers of cocoa beans should avoid drying cocoa beans with fire or beside roads as well as using inefficient artificial dryers and storage in the presence of smoke.
- The Codex Alimentarius' [Code of Practice for the Reduction of Contamination of Food with Polycyclic Aromatic Hydrocarbons \(PAH\) from Smoking and Direct Drying Processes \(CXC68-2009\)](#) is a helpful guideline.

Cocoa is considered relatively low risk for **e) microbiological contamination** such as salmonella. But such contaminations might occur because of incorrect harvesting and drying techniques. No microbiological criteria for cocoa have been set in current European legislation. However, food safety authorities can withdraw imported food products from the market or prevent them from entering the EU in case of problems with microbiological contamination. [Regulation EC 2073/2005](#) on microbiological criteria for foodstuffs provides detailed information on the legislation.

Tip for Ivorian exporters:

- Producers of cocoa beans can refer to [Nestlé's booklet on microbiological specifications for cocoa](#) to learn more about how a large cocoa processing companies set criteria and develop sampling plans for cocoa beans and derived products.
- On the website of the EU's [Rapid Alert System for Food and Feed \(RASFF\)](#), one can browse through various border rejections and alerts for cocoa products and learn about common problems faced by suppliers during border controls.

Contamination by **f) foreign matter** happens when food safety measures are not carefully followed and for example insects, plastic or metal parts enter the product. Such contaminations can be avoided by following HACCP principles (see below).

Food Safety Management System (FSMS)

A FSMS is a systematic approach to controlling food safety hazards within a food business to ensure that the food is safe for the consumer to eat. Such a system is usually not employed at the level of raw material production but becomes very important once the processing of the raw material starts.

Applying a basic FSMS by following the Hazard Analysis and Critical Control Points (HACCP) principles is mandatory to sell food products to the European market, as outlined in [Regulation \(EU\) 852/2004](#) on the hygiene of foodstuffs. HACCP is a system in which critical control points in a production line are defined, limits are set and monitored. Such an approach is already possible for procedures in the raw material production but becomes more detailed and complicated in manufacturing lines.

In food processing in the EU, it is mandatory to apply HACCP principles and to secure that all suppliers providing semi-finished intermediate products also apply these principles in their processing. When cooperating with exporters of intermediate products outside the EU, European buyers often ask for a

HACCP certification. Such certifications can be provided by private certification bodies. To be credible, the certification agency should be accredited by the [Global Food Safety Initiative \(GFSI\)](#).

The GFSI is also the authority who accredits certification which go beyond the HACCP principles, such as ISO/FSSC 22.000. Those certifications are not mandatory, but often requested by processed food buyers (see chapter 5.1.1.).

Tip for Ivorian exporters:

- Producers of intermediate chocolate products should start applying HACCP principles from the very beginning of their production, since HACCP is not only mandatory for the EU, but the worldwide basic standard for food production. It does not only benefit food safety, but also production process management. The [Import Promotion Desk Guide on HACCP](#) provides a good introduction to the topic.

Specific requirements for the organic market

Niche markets such as the organic or Fairtrade market are based on certifications. But while the standards for Fairtrade, UTZ, Rainforest Alliance or other certifications are defined by the respective certification authorities, the standard for organic food is defined by [a set up European regulations](#) for organic production and labelling. [Regulation 834/2007](#) sets out the principles, aims and overarching rules.



EU Organic Logo

Accredited certification bodies can certify according to these rules and regulations. Only if all supply chain actors are certified organic, the product can be marketed as organic inside the EU. Furthermore, claims on the product such as “pesticide free” or “organic by default” are not allowed without organic certification. The EU controls the import of organic certified products nowadays electronically by the [Trade Control and Expert System \(TRACES\)](#).

In addition to the EU organic standard, some European countries also have their own voluntary organic standards and labels. Examples are the [Bio-Siegel](#) (Germany) and the [AB logo](#) (France). Some certifications such as the [Naturland](#) or [Demeter](#) private standards define even stricter rules for their specific certification. But all those certifications englobe the requirements of the EU Organic Standard. Holders of these certifications can therefore also market the product as organic inside the EU and use the EU organic logo.

Countries outside of the EU have their own organic legislations, for instance, Switzerland has its own [Swiss Organic Law](#), and the [Organic Products Regulations 2009](#) apply in the United Kingdom.

Tips for Ivorian exporters:

- The [EU’s website on trade in organics](#) provides a thorough explanation of import regulations and other related issues.

- The list of accredited control bodies can be found on the website of the [Organic Farming Information System](#).
- The website of the [International Federation of Organic Agriculture Movements \(IFOAM\)](#) can be consulted for information on certification standards.

Labelling

The EU's food labeling laws establish the "rights of consumers to safe food and to accurate and honest information".⁴⁷ Therefore, labeling regulations first and foremost apply to packaged consumer goods such as chocolates. For the other exported products along the value chain, for example cocoa beans or intermediate products, labeling requirements result from other regulations. For instance, to classify products at customs and apply the regulations, it is usually necessary to know the weight or quantity of a certain product. To define tariffs, product origins must be clear. For these reasons, it is recommendable to label bulk cocoa beans, but also intermediate semi-processed bulk products with at least the product name, the grade, the lot or batch code, the country of origin and the net weight in kilograms. If the products are certified, the name/code of the inspection body and the certification number are required to be on the product.

Regarding the import of consumer products such as chocolate bars or other confectionary products, but also regarding cocoa juices or other food products, the [Regulation \(EU\) 1169/2011](#) on the provision of food information to consumers applies. This regulation defines nutrition labelling, origin labelling, allergen labelling and clear legibility of this information on the product packaging. For chocolate products, the [Directive 2000/36/EC](#) on cocoa and chocolate products intended for human consumption is also important. This directive explains in detail the percentages of certain ingredients to a cocoa-based product necessary for the product to be labelled in a specific manner. For example, chocolate products cannot replace their cocoa butter fat content with another vegetable fat by more than 5%. A product replacing cocoa butter by another fat, therefore, cannot be marketed as chocolate in the EU. Another recent example is an innovative "chocolate" bar of Ritter Sport – in which cacao pulp was used to sweeten the product, replacing sugar. It was not allowed to be marketed as chocolate because the law stipulates that a chocolate must contain sugar.

Manufacturers who want to put nutritional or health claims – for example claims such as "low on sugar", "high in vitamin xy", "source of ...", etc. – need to be careful to follow [Regulation \(EC\) 1924/2006](#) on nutrition and health claims made on foods. This regulation describes in detail the conditions under which such claims are allowed; false claims are punishable.

For a product to be marketed as organic-certified in the EU, it must contain the EU's organic logo. To include the organic logo, the product must comply with the EU regulations for organic farming & marketing (see above).

⁴⁷ Source: [European Commission – Labeling and Nutrition](#)

Tip for Ivorian exporters:

- The website of the [EU Food Labelling Information System](#) is very useful: Manufacturers can here select the product and the system automatically shows the necessary information for the labelling.

Packaging

Packaging is an important topic, but it becomes only legally relevant regarding food packaged for consumer use. Cocoa beans are traditionally shipped in jute bags, which can weigh between 60 and 65 kilograms. Bulk shipment of cocoa beans in shipping containers containing one large flexi-bag has become more popular. In the fine flavor/specialty cocoa segment, jute bags are still commonly used. When packing products for shipment, the main concern are not legal matters, but the quality of the product during transport; this holds also true for intermediate cocoa derivatives. Liquid products, for example, cocoa paste or cocoa pulp, are transported in bulk/tankers or smaller mobile containers, depending on customer demands. Cocoa powder can be shipped in paper bags. Cocoa butter can be shipped in barrels, drums, or cartons. Since its melting point is 38°C, transport needs to be well handled in order to avoid melting. This also holds true for the shipment of final consumer chocolate products.

However, when importing a product in its final packaging which is foreseen to land directly in the hands of the consumer, the EU regards already the packaging as a product of its own. Particularly foodstuff can be influenced by the packaging around it, which is one of the reasons for strong regulations within the EU. Businesses must make sure – whether the packaging is done inside or outside the EU – that all packaging meets the requirements defined in [Directive 94/62/EC](#) on packaging and packaging waste, as well as its amendments [Directive \(EU\) 2015/720](#) and [Directive \(EU\) 2018/852](#). The EU Directives are transferred into national laws; and some countries then apply different measures which become mandatory for their respective markets. For example, the EU encourages its member states to reach a percentage objective of recycling. In Germany, the national law [VerpackG](#) makes it mandatory – in case a business is the first one to bring a packing into circulation – to register and to sign up for a “dual system” (a recycling provider).

Tips for Ivorian exporters:

- The website CargoHandbook provides useful information on the packaging and transport of [cocoa beans](#), [cocoa butter](#) and [cocoa powder](#).
- The website of the Transport Information Service (TIS) from the German Insurance Association gives an overview about the transport of [cocoa beans](#) and [chocolate products](#).
- When planning to enter the EU market with a final consumer product, exporters should plan to do research regarding European and national labelling and packaging laws.

5.1.1. Non-legal additional buyer requirements

In addition to the legal requirements, buyers often have requirements which go beyond existing legislation. Buyers from Western and Northern European countries tend to have stricter additional requirements than from Southern and Eastern European countries.

Quality criteria for cocoa beans

There are no harmonized international procedures, nor is there a specific terminology for assessing cocoa bean quality and flavor and its direct relation to high-quality chocolate. This lack of a harmonized cocoa quality standard sometimes hinders clear communication among suppliers and buyers. It can create difficulties for suppliers in understanding how buyers assess and define quality and the diversity of flavor, leading to difficulties in their ability to tackle issues in their supply chain that could contribute to quality improvement.

Quality requirements are particularly high within the specialty segment for fine flavor cocoa beans, which are usually not produced in Côte d'Ivoire. However, certain quality measures are also expected from Ivorian beans; and producers should pay attention to improving their quality in fermentation and sampling of their beans.

Buyers in Europe currently assess the quality and flavor of cocoa beans in different ways and often use a combination of two or more methodologies. Common cocoa quality assessment methodologies and international cocoa standards used among chocolate makers and cocoa traders are:

- [ISO standards on classification and sampling for cocoa beans](#);
- [Fine Cacao and Chocolate Institute \(FCCI\)'s cocoa grading protocol and evaluation sheet](#);
- [Equal Exchange/TCHO's quality assessment and tasting guide](#).

A working group, coordinated by the [Cocoa of Excellence Programme](#), has recently developed international standards for assessing cocoa quality. The initiative launched its [International Standards for the Assessment of Cocoa Quality and Flavour website](#), where the protocols on the quality standards can be downloaded. These protocols describe step by step how to sample cocoa beans for evaluation, assess their physical quality, process them into coarse powder, liquor and chocolate and establish a sensory evaluation of the flavors expressed in these three products.⁴⁸

Tips for Ivorian exporters:

- The guide [Cocoa Beans: Chocolate & Cocoa Industry Quality Requirements](#) provides recommendations on cocoa growing, post-harvest practices and quality evaluation
- Keep up to date on the development of the [International Standards for the Assessment of Cocoa Quality and Flavour](#).

⁴⁸ Source: [CBI – What requirements must cocoa beans comply with to be allowed on the European market?](#)

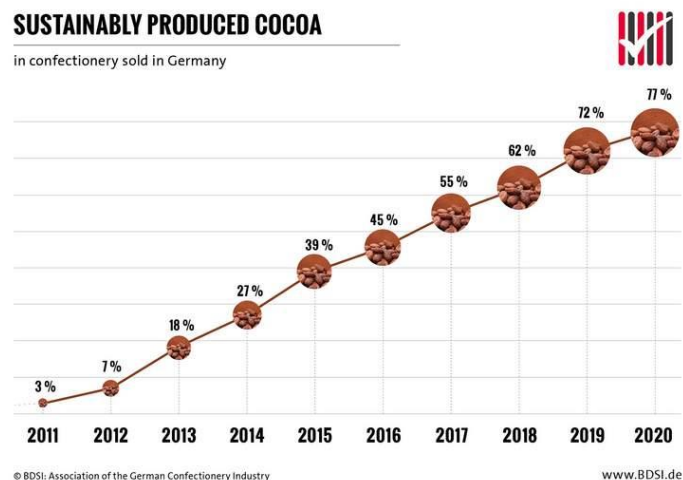
Sustainability and/or Fairtrade certification

Social, environmental, and economic sustainability has become a key issue for most European companies in the cocoa value chain and in the regular food sector. It is disputed how sustainability in cocoa production can be reached and whether it is better to follow a certification scheme or to set own standards. Many European companies have formulated minimum sustainability requirements for their suppliers that address key issues such as child labor, healthy and safe working conditions, deforestation, and pesticide use. At the same time, many European companies, especially those in Northern and Western European countries, also require the certification according to certain certification schemes.

The most common certification standards becoming more and more popular along the past decade are [UTZ](#) and [Rainforest Alliance](#). The two formerly competing programs have recently merged, first leading to a mutual recognition of certificates, but soon also operating according to one combined standard for cocoa. Interviewees suggest that a large part of the cocoa imported as beans to Europe, but especially directly to Germany, is certified at least UTZ/Rainforest Alliance.

Another important certification program is the Fairtrade International certification. Fair trade standards address social performance along the supply chain. Certification by an independent third party allows suppliers to place a fair-trade logo on the product. Prices for fair trade products consist of a minimum price for the farmers plus a premium paid to the cooperative. [Fairtrade International \(FLO\)](#) is the most important standard-setting organization for Fairtrade. The

Figure 14: Certified cocoa as ingredient in the German confectionery industry



Source: [BDSI](#)

accredited certifier for this standard is [FLOCERT](#). The current minimum prices and premiums for cocoa, whether organic-certified or conventional, can be found in the [Fairtrade Minimum Price and Fairtrade Premium Table](#). Other fair trade standards used on the European market are [Fair for Life](#) or [Naturland Fair](#), for example. There is also a label by the [World Fair Trade Organization](#) which recognizes entire organizations that fully comply with fair trade practices.

Some European companies have set their goal at purchasing 100% certified cocoa, for example Ferrero has reached this objective since the end of 2020.⁴⁹ Often, certification with one of the mentioned programs is treated as equivalent to producing cocoa in a sustainable manner, but this is debatable.

⁴⁹ Source: [Ferrero – 100% nachhaltiger Kakao bei Ferrero](#)

Depending on the definition of what “sustainable production” means, a certification with UTZ/Rainforest Alliance and/or Fairtrade is not necessarily sustainable. In Germany, for example, the Association of the German Confectionary Industry (BDSI) assesses that 77% of cocoa used for German confectionary is certified according to one of the standards, and therefore produced sustainably. However, the authors of the Cocoabarometer state that “certified cocoa cannot be claimed to be sustainable merely on the basis of certification, whether this certification is Fairtrade, Rainforest, ISO/ARSO, organic, or any other standard.”⁵⁰

In 2019, the new standard [ISO 34101](#) was published as the first international standard for sustainable and traceable cocoa. The standard was developed by actors in all areas of the cocoa sector, and addresses organizational, economic, social, and environmental aspects of cocoa farming, as well as traceability requirements. In short, the ISO 34101 standard brings clarity to sustainability claims within the cocoa sector. So far, however, the standard is not yet often required by buyers.

Tips for Ivorian exporters:

- The [ITC Sustainability Map](#) gives an overview of non-legal standards relevant to the European cocoa market regarding sustainability.
- Certification is an investment. For more information about considerations on this issue the [ICCO Study on the Costs, Advantages and Disadvantages of Cocoa Certification](#) is useful to consult.

Food Safety Management System (FSMS)

The manufacturing of food products must follow the HACCP principles as a basic legal requirement (see above), but many buyers request extra guarantees regarding the implementation of a FSMS along their production processes.

It starts at the level of production of cocoa beans. Producers should at least follow good agricultural practices to ensure food safety. A voluntary standard ensuring good agricultural practices is the [GLOBALG.A.P](#) certification. This is, however, not often requested by cocoa buyers. For cocoa beans, it is much more common to certify according to [UTZ/Rainforest Alliance](#) standards (see above), which are aligned with GLOBALG.A.P.

Once a product enters its first processing stage, food safety certifications are almost indispensable to convince European buyers of the quality and safety of the product. The very minimum is a HACCP certification, but it will often not be enough to enter business with European companies. Facilities producing cocoa paste, cocoa butter, cocoa powder, but also all facilities producing cocoa pulp or cocoa juice, should aim for the [ISO 22.000](#) or better yet the [FSSC 22.000](#) certification. Both these standards are largely built on the HACCP principles, but require even stricter measures to guarantee food safety. In the worldwide food industry, they are the core standards to adhere.

⁵⁰ Source: [Cocoabarometer](#)

Manufacturers of products entering the final consumer market, who want to approach retailers and distributors, are often asked for a certification in either the [International Featured Standards Food \(IFS\)](#) or the [British Retail Consortium Global Standard for Food Safety \(BRCGS\)](#). It depends a little bit on the market which standard is preferred; in Germany, for example, the IFS certification is more common.

Corporate Social Responsibility

European buyers are increasingly addressing social and environmental issues. Sometimes they become involved in local social and environmental projects, and sometimes they develop their own Corporate Social Responsibility (CSR) policies or codes of conduct. Aspects that are tackled are business ethics, social responsibility such as the welfare of farmers and processing facility workers, environmental responsibility such as carbon neutrality and impact on local biodiversity.

European buyers will expect suppliers to comply with their code of conduct regarding Corporate Social Responsibility. This can be their own code of conduct or one based on external initiatives such as the [Business Social Compliance Initiative \(BSCI\)](#) or [Sedex Members Ethical Trade Audit \(SMETA\)](#). Some examples of company codes of conducts from retailers are listed in table 4.

Table 4: Links to private CSR programs and approaches

Retailers	CSR program
Rewe (Germany)	Sustainability Strategy
Aldi (Germany)	Corporate Responsibility Policy
Coop (Switzerland)	Action, not words – sustainability at Coop
Ahold Delhaize (Netherlands/ Belgium)	Sustainable Retailing
Carrefour (France):	Corporate Social Responsibility
Traders and manufacturers	CSR program
Nestlé	Nestlé Cocoa Plan
Mars	Sustainable in a Generation Plan
Ferrero	Corporate Social Responsibility
Mondelez	Cocoa Life
Barry Callebaut	Forever Chocolate
Cargill	Cocoa Promise
Lindt & Sprüngli	The Farming Program

Source: [CBI – What requirements must cocoa beans comply with to be allowed on the European market?](#)

Common requirements include signing a suppliers' code of conduct in which suppliers declare that they do business in a responsible way, respecting local environmental and labor laws, fighting corruption and child labor. These aspects are also often investigated further in company audits carried out by buyers and partners.

Tip for Ivorian exporters:

- Suppliers should regularly visit the website of the [World Cocoa Foundation](#) to keep up to date on discussions. Participating in or visiting roundtable meetings regarding CSR might be a feasible option to learn more.

5.2. Requirements for cocoa-based cosmetic products and their ingredients entering the European cosmetics market⁵¹

In the sector of cosmetic products, the difference between product ingredients and the final consumer products are greater than in the food sector. Again, EU legislation is geared towards consumer safety and states that “manufacturers should use science and latest available research data to prove the safety of a cosmetic product before it is placed on the market. Some cosmetic products deserve special attention from regulators due to their scientific complexity or higher potential risk to consumer health.”⁵² Comparable to the food sector, companies putting a cosmetic or personal care product onto the market in Europe can be made legally responsible for disregarding the laws. This high economic risk is why European companies apply high standards to increase consumer safety in their products.

5.2.1. Legal requirements

The important legislation which guides all legal requirements regarding cosmetic and personal care products is the [Regulation \(EC\) 1223/2009](#) on cosmetic products, often only referred to as the EU Cosmetics Regulation. This regulation technically concerns only the final consumer products placed on the EU market, but manufacturers of such products need to transfer certain requirements already onto their suppliers.

Another regulation often mentioned in the case of cosmetics is the [Regulation \(EC\) No 1907/2006 on the Registration, Evaluation and Restriction of Chemicals \(REACH\)](#). The regulation is a very strict law regulating the import of chemical substances. But companies headquartered outside of the EU, manufacturing the consumer products outside, do not have to abide by this law as such. Regarding cosmetic ingredients, the only cocoa-based product which is to a noteworthy extent important for the cosmetics industry is the cocoa butter. Vegetable fats are exempt from REACH by [Regulation \(EC\) No 987/2008](#). REACH, even though a very important regulation for cosmetics, is therefore not important in the Ivorian case of this study.

The EU Cosmetics Regulation

[Regulation \(EC\) 1223/2009](#) is the main regulatory framework for cosmetics products on the European market. The central element of this regulation is the Product Information File (PIF), a documentation which cosmetic manufacturers are obliged to provide. The PIF must include a Cosmetics Product Safety

⁵¹ Chapter 5.2 is an adaptation from the [CBI Market Information – What requirements must natural ingredients for cosmetics comply with to be allowed on the European market?](#) Some selected information was added or omitted for the purpose of this study.

⁵² Source: [European Commission – Cosmetic products](#)

Report. The report provides information on the toxicological profile of the ingredients, their chemical structure and their level of exposure. It also includes data on animal testing performed by the manufacturer and a safety assessment of the cosmetics product or its ingredients. These requirements lead to the fact that suppliers of ingredients need to provide buyers with all necessary information on properties and attributes of their products.

The Cosmetics regulation also introduces the concept of the ‘responsible person’: Only cosmetic products for which a legal or natural person is designated within the EU as a ‘responsible person’ can be placed onto the market. This means, in fact, that each manufacturer producing a final cosmetic product outside the EU either needs to install a legal entity inside the EU for this purpose or must partner up with an existing legal entity. The ‘responsible person’ is the guardian of the PIF and formally applies for the authorization of the cosmetic product for the EU market. All products must be registered with the Cosmetic Products Notification Portal (CPNP) before they are placed on the EU market.

Furthermore, the EU Cosmetics Regulation stipulates that all cosmetics products circulating in the EU must be produced according to the Cosmetics Good Manufacturing Practices (GMP) described by the [ISO 22716](#) standard. Compliance with this standard can be demonstrated either by the ISO 22716 certificate, or by a declaration stating that the products are produced according to ISO 22716 – so the ISO certification itself is not mandatory, but strongly encouraged.

Tips for Ivorian exporters:

- Exporters thinking about bringing a cosmetic consumer product to the EU market can find a lot of information on [The Personal Care Association Cosmetics Europe](#).
- There are many service providers in the EU offering to become the 'responsible person' for non-EU producers. This can be a viable solution for exporters but needs to be well planned because of high costs involved.

Efficacy claims

Cosmetics companies regularly make claims for certain effects to market their products. However, to protect consumers and to help them make informed decisions, cosmetic claims are governed by strict regulations in the EU. The same rule applies to cosmetic ingredients, especially natural ingredients, as they may have functional and active properties that cosmetics manufacturers may use in their marketing materials. This concerns statements such as “allergen-free” or “vegan”, but it also regulates statements on products such as “it is well known that ...”, “fighting / curing ...”.

[Regulation \(EU\) 655/2013](#) lays down common criteria for the justification of claims used in relation to cosmetic products and states that claims for a cosmetics product (explicit or implicit) must be supported by adequate and verifiable evidence.

Tip for Ivorian exporters:

- Exporters of cosmetic ingredients tend to claim many positive effects when approaching European buyers; without scientific proof, communicating such claims comes across very unprofessional. Producers should abstain from such unsubstantiated claims.

Labelling

The Classification, Labelling and Packaging (CLP) [Regulation \(CE\) 1272/2008](#) aligns previous EU legislation with the Globally Harmonised System of Classification and Labelling of Chemicals (GHS). The GHS facilitates the global trade of chemicals and the harmonized communication of information on hazards. According to the CLP regulation, the label for cosmetic consumer products should include the following:

- name, address and telephone number of the supplier;
- nominal quantity of a substance or mixture in packages;
- product identifiers;
- where applicable, hazard pictograms, signal words, hazard statements, precautionary statements, and supplemental information.

It is also necessary that statements about the product be made in the national language of the respective country. Even though these labeling rules apply for the final products, suppliers of ingredients are also often requested to ensure their batches are labelled in line with the CLP regulation. The CLP regulation supplements the REACH regulation. As it is explained above, REACH does not apply in the case of cocoa butter; and it also does not apply to finally produced consumer products outside the EU. But even so, producers of consumer products should become familiar with this regulation and aim for working with certain documents requirement according to REACH, such as the Safety Data Sheets (SDS).

Tip for Ivorian exporters:

- The website of the [European Chemicals Agency](#) gives more information on the CLP regulation.

Packaging

The packaging laws of the EU described in the food section also apply for cosmetic products. While cocoa butter can be shipped in barrels, drums, or cartons, consumer products must comply with [Directive 94/62/EC](#) on packaging and packaging waste, as well as its amendments [Directive \(EU\) 2015/720](#) and [Directive \(EU\) 2018/852](#). Again, for Germany, the national law [VerpackG](#) is relevant in case one wants to introduce a product in Germany.

5.2.2. Non-legal additional buyer requirements

The legal requirements for final cosmetic products are already quite extensive, so once a final cosmetic product is put onto the EU market according to these regulations, buyers such as distributors are not likely to have any additional product requirement. However, buyers of ingredients often apply non-legal requirements when sourcing ingredients from outside Europe.

Technical documentation

It is usually necessary for suppliers to prepare a technical dossier with all relevant information for the buyer. In the case of a simple product such as cocoa butter, such a technical dossier can consist of only one Technical Data Sheet (TDS), but often Safety Data Sheets (SDS) and Certificates of Analysis (CoA) are also requested.

TDS contain information on common applications of ingredients, industry standard specifications, operating requirements, information on composition and warnings. SDS contain information on handling, storage, hazards, and emergency measures in case of an accident. Based on the information, European buyers can assess potential hazards with regard to sourcing your ingredients. CoA refer to analytical data that support the product specification.

Tip for Ivorian exporters:

- Exporters of cosmetic ingredients should prepare a technical dossier to convince buyers to work with them. The [CBI Workbook for Preparing a Technical Dossier for Cosmetic Ingredients](#) is very helpful to learn how to do this.

Good Manufacturing Practices

While in the food sector, the basis for safe food manufacturing are the HACCP principles, the cosmetics sector often operates with the concepts of Good Manufacturing Practices (GMP). GMP is a requirement for production under the EU Cosmetics Regulation Article 8, which means that often it is already required by buyers for the producers of cosmetic ingredients. However, HACCP principles are not food specific and can also be applied to the preparation of cosmetic ingredients – which is for example relevant in cases where cocoa butter is produced for both uses.

GMP are guidelines for quality assurance of the production processes and environment in the production of cosmetics. As described above, they are based on the ISO 22716 standard. It is usually not expected from producers of vegetable oils and butters as ingredients to become certified according to this standard, but it certainly makes a good impression on buyers to align with the requirements of this standard. A GMP-compliant quality management system serves to ensure product quality and to meet the requirements of the authorities.

Tips for Ivorian exporters:

- Exporters of cosmetic ingredients should invest time to become familiar with GMP in cosmetic ingredients' preparation. The Health Products Regulatory Authority of the Republic of Ireland gives a good introduction into the topic in their [Guide to Good Manufacturing Practice of Cosmetic Products](#).

Cosmetic products labeled as “organic” or “natural”

It is important to understand that the EU regulation on organic standards refers only to food products. Therefore, the green organic EU logo does not appear on cosmetic products. However, raw materials which can be used either for food or cosmetic production can be certified organic according to the EU regulation. But there is no legal definition of organic or natural cosmetic products in the EU. Therefore, it differs from country to country under which circumstances a product can be labelled and marketed as “organic” or “natural”. In France, for example, the product needs to have 95% of natural ingredients.



The COSMOS logo differs according to the certification agency

In Germany, this is not obligatory. In theory, any cosmetic product could be marketed as “bio” in Germany. But manufacturers usually only market their product as organic or natural cosmetics in case they are certified to one of the leading standards. The designations are rarely used to mislead the consumer, presumably out of fear of damage to the company's image.

The most important private standards in the area of organic and natural cosmetics are [the COSMOS certification](#) and the [NaTrue certification](#). In Germany, the Bundesverband der Deutscher Industrie- und Handelsunternehmen (BDIH) has long been also a relevant standard setting agency for natural and organic cosmetic products. But BDIH was also involved in the creation and definition of the COSMOS standards; and therefore, the standards have basically been merged into one and the original BDIH logo will more and more make room for the COSMOS certification logo. Regarding the production of natural butters, such as cocoa butter, such organic cosmetic standards are comparable to the food grade organic production. For example, a certification for the EU regulation on organic food is required for certain ingredients when entering the organic cosmetics certification.

6. Added value, economic reasoning and competitiveness of Ivorian small-scale producers

One major issue of debate in the cocoa sector is and has been for a long time the prices paid along the value chain. A purpose of this study is to analyze which marketing decision would lead to a higher income for cocoa producers or producers of cocoa-based products or could generally enhance the development of the Ivorian cocoa economy.

It would go beyond the scope of this study to analyze the price forming mechanisms along the cocoa value chain in extensive detail, particularly because it is very specific to each market channel. Instead, this chapter focusses on explaining economic reasoning relevant for the actors in Côte d'Ivoire; and such reasoning does not only englobe the price paid for a product. Two other main aspects influence the decision-making process of actors in this regard:

1. the economic investment necessary to obtain the revenue: Is the revenue higher than the costs, can the actor earn money with the activity? Can the actor realistically undertake the necessary investment?
2. the opportunity costs or in other words the choices the actor has: Can the actor earn more money by doing something else or is the activity the best economic choice?

The following sub-chapters will analyze the aspects in the different kinds of trade along the cocoa value chain. The objective is to describe the reasoning regarding the different option, the actors have – keeping in mind the objective of supporting a higher economic gain of the Ivorian actors.

6.1. Trade in (certified) cocoa beans

The trade in cocoa beans from West Africa has at length been analyzed in many studies.⁵³ The severe problems such as child labor, environmental sustainability and modern slavery are discussed often on conferences, in papers, but also in large companies, associations and among consumers as well as governments. Even though there have been many projects and some improvements regarding the prices paid to cocoa farmers for their beans, the situation at the moment (still) is quite simply described: The vast majority of cocoa farmers in Côte d'Ivoire receives a price for their produce which does not contribute enough to covering their costs of living, the price is therefore largely perceived as not fair.

The Cocoabarometer calculated in 2020 that the necessary farmgate price of cocoa beans in Côte d'Ivoire should be around USD 3.2/kg to ensure a “living income”.⁵⁴ The current price of USD 1.4/kg reaches not even 50% of this. Even in the beginning of the last season – when Côte d'Ivoire and Ghana aligned their prices and added the so-called living income differential – prices of around USD 2.9/kg still were slightly under the necessary price for a living income; and this living income is still only the *minimum* for a family to live off, not offering any possibilities for larger investments into education, improved agricultural practices or business opportunities. Fact is that the Ivorian cocoa farmers are poor and cannot escape their poverty by producing cocoa. The reason the smallholders still chose to produce cocoa is that there is no better economic alternative.

This situation is not likely to be solved by the market itself in the near future. The profit margins along the value chain are small, as there is a rise to the bottom for consumer prices. Farmers living in poverty in West Africa are not having a significant lever which they can push, as they depend too much on the cocoa cultivation (however low the gains are). Therefore, market interventions by regulatory actors

⁵³ See for example: [Cocoabarometer, Südwind Institute/GIZ – Pricing in the cocoa value chain, Wageningen University Research – Towards sustainable cocoa in Côte d'Ivoire](#)

⁵⁴ Source: [Cocoabarometer – Datasheet Necessary Farm Gate Prices for a Living Income](#)

can be a justified means in the cocoa sector and are also already implemented and called for. For example, the coordinated attempt of setting a higher minimum price in Ghana and Côte d'Ivoire in 2020 was such a market intervention. At EU level also, the working groups and discussions for an EU-wide due diligence legislation in the cocoa sector, setting rules for all companies operating in the EU and therefore leveling out competition issues, are taking off in the recent two years.⁵⁵

It would seem that the solution for eliminating poverty and all severe problems associated with it would be to enforce higher prices paid to farmers for the cocoa raw material. In the long run, this logic makes sense and should be supported, but unfortunately, the markets are much more complicated in the current reality. Significantly higher cocoa bean prices would disturb the whole established price structure of the value chain and the profit margins of different actors along the chain. Farmers would be encouraged to grow more, farmers in other world regions might enter the cocoa bean production, production would be increased, and an overproduction would be likely to occur. Consequences in the short run could be huge losses for individual farming communities; again, leading to poverty. So, while the discussion to pay more to cocoa farmers for their beans is absolutely necessary, it is not an easy task to find workable solutions which actually benefit the farmers.

An example for this complexity was just recently the fact that the government of Côte d'Ivoire re-established a very low cocoa beans price after having tried to add a living income differential to the minimum price. Their well-intended market intervention was having the non-intended effect that farmers were not being able to sell their cocoa anymore. Reasons for this setback were debated in the interviews. Multinational companies possibly put pressure by not buying beans, the demand for beans possibly fell due to the Covid pandemic. But no matter the reason, the case shows the many influences on the market and how difficult it really is to ensure higher farmgate prices in a sustainable and long-term way.

There are only three scenarios in which individual farmers currently are paid higher prices than the price defined by the Ivorian Conseil Café Cacao:

- (1) The farmer is part of a buyer induced sourcing project.
- (2) The cocoa beans are sold under a fair trade or organic certification scheme.
- (3) The cocoa beans are sold under the UTZ/RA certification scheme.

The characteristics of the three scenarios are described in Table 5.

⁵⁵ Source: [ConfectionaryNews – EU due diligence laws for cocoa sector could be in force by 2022](#)

Table 5: Current scenarios in which individual farmers receive higher than regular prices

(1) Buyer induced sourcing project	(2) Fairtrade or organic certified trade	(3) UTZ certified trade⁵⁶
<p>Characteristics:</p> <ul style="list-style-type: none"> Farmer is a member of a cooperative who is in a partnership project with a buyer. Examples in Côte d'Ivoire are the projects of Tony Choclonely and Ethiquable. <p>Effect on individual farmer income:</p> <ul style="list-style-type: none"> Farmers receive minimum farmgate price + Fairtrade premium and possibly organic premium. Farmers receive additional premiums and/or additional benefits such as trainings coaching and development of production. <p>→ From a farmer's perspective, this is the best economic scenario.</p>	<p>Characteristics:</p> <ul style="list-style-type: none"> Farmer is a member of a cooperative who is Fairtrade and/or organic certified. Beans can be traded through different certified actors. <p>Effect on individual farmer income:</p> <ul style="list-style-type: none"> Fairtrade: Farmers receive minimum farmgate price + Fairtrade premium. Organic trade: Farmers negotiate an organic premium with the buyer. <p>→ From a farmer's perspective, this is the second-best economic scenario.</p>	<p>Characteristics:</p> <ul style="list-style-type: none"> Farmer is a member of a cooperative who is UTZ certified. UTZ has merged with RA and standards will soon be aligned. Beans can be traded through different certified actors. <p>Effect on individual farmer income:</p> <ul style="list-style-type: none"> Farmers receive minimum farmgate price + UTZ premium. The premium per individual is defined by the farmer cooperative. <p>→ From a farmer's perspective, this is the third-best economic scenario.</p>

Table 5 suggests that the best way to come closer to a fair individual farmer income would be to foster more buyer induced sourcing projects such as those of Ethiquable or Tony Choclonely. Unfortunately, Côte d'Ivoire faces a serious issue of competitiveness regarding such projects. Most of the small to medium scale chocolate manufacturers in Europe who are engaged with their raw material producers are doing so in Latin America, as interviewees confirmed. Working with farmers in those countries is perceived as easier, quality issues can be solved in a straightforward way and the varieties are better for producing high quality premium chocolate. In West Africa, directly engaged manufacturers are often opting for the country of Ghana, where the language barrier as well as the politically induced barriers are perceived as lower. A good example is the new sourcing project of [Rewe's VeryFair chocolate](#), cooperating with a cooperative in Ghana. In short: Côte d'Ivoire is not the first choice of most European companies wanting to become engaged; and those who do become engaged must show very high motivation and no fear of the complicated cocoa landscape in the country.

⁵⁶ Since UTZ and RA have only recently merged, the analysis only takes into account here the UTZ certification.

The second-best scenario – selling Fairtrade or organic certified beans – also faces one rather important challenge: The five Fairtrade farmer cooperatives interviewed reported that 100% of their members are Fairtrade certified, but only 1%-10% (depending on the cooperative) of their production are actually marketed under the Fairtrade label. This situation is difficult, considering the necessary effort the cooperatives need to undertake to keep the certification.⁵⁷ For the year 2017 for example, Fairtrade International reported that 56% of the certified production in Côte d'Ivoire was also marketed.⁵⁸ This is considerably more than the interviewed cooperatives suggested, but it still shows that the demand for Fairtrade certified cocoa beans does not meet the supply. According to the list of the CCC, there were 42 cooperatives engaged in Fairtrade International in the 2018/2019 season.⁵⁴ If those are only selling up to 50% of their beans under the certification scheme, it means there are thousands of tons of certified cocoa still available in case the market demand would grow. The current supply could easily meet a growing demand; and other cooperatives than the already certified should better not be encouraged to invest into Fairtrade certification.

In the case of organic certification, the issue is similar: The two interviewed organic certified cooperatives have around 50% of their production certified but cannot market it fully as certified. This also suggest that there is an oversupply of organic beans from Côte d'Ivoire, which is not met by the demand. However, in the case of organic certification, it is not such a severe over-certification as in the case of Fairtrade.

In turn, the conclusion of this oversupply in certified beans could be to foster the development of a higher market demand. For example, since large manufacturers in Europe such as Ferrero have reached 100% of cocoa purchased under *any* certification scheme, they could now be encouraged to enlarge their target to reach 100% of certified *Fairtrade or organic* cocoa.

The “regular” certification scheme, more popular than Fairtrade, is the now combined UTZ/RA certification. The important difference to the Fairtrade certification is that UTZ/RA does not set a premium farmgate price within the certification but gives the liberty to producers and traders to negotiate cocoa prices between them. Nevertheless, part of the higher paid prices due to certification are supposed to go to the individual farmers, members of the cooperative (the percentage however is not defined). In general, premiums for individuals under the UTZ/RA certification are smaller than under the Fairtrade or organic certification. In 2017, for example, 77% of individuals reported to have received a premium of in average between 4.1% and 6.5% per kg.⁵⁹ In the current 2021 season, individual farmers selling their produce under the Fairtrade certification, for example, earn about 24% more per kg.⁶⁰ When marketing organic, it is around 22% more, according to interviewees.

⁵⁷ For some of the cooperatives interviewed it is even doubtful whether the gains from the Fairtrade justify the expenses for certification, speaking plainly economically. However, the cooperatives chose to keep the certification possibly also for partnership reasons and in hope for an increase in demand.

⁵⁸ Source: [FAO/BASIC – Comparative study on the distribution of value in European chocolate chains](#)

⁵⁹ Source: [Ingram, V., van Rijn, F., Waarts, Y., Dekkers, M., de Vos, B., Koster, T., Tanoh R., Galo A., 2017: Towards sustainable cocoa in Côte d'Ivoire. The impacts and contribution of UTZ certification combined with services provided by companies. Wageningen, Wageningen Economic Research, Report 2018-041.](#)

⁶⁰ Source: [Fairtrade International press release as of April 15, 2021](#)

The study of FAO/BASIC on the distribution of value in European chocolate chains states that UTZ/RA certification “appears to serve mainly as ‘license to operate’ in the eyes of many brands and retailers willing to demonstrate their conformity with social and environmental criteria while ensuring productivity”.⁶¹ This was confirmed by interviewees for this study in Germany. It is probably the case that a very large percentage of beans imported into Germany by large traders is certified at least UTZ/RA and that conventional products without any kind of certification are becoming rare in the Western European beans import market.

It is quite difficult to obtain data on how much of the production in Côte d’Ivoire is certified UTZ/RA. The data of the two certifications is not combined yet and numbers are a few years old, possibly showing also double certifications. Available studies suggest that out of the 2.2 million tons of cocoa beans produced in Côte d’Ivoire, around 800,000-1,000,000 are UTZ/RA certified, which makes it roughly 50%.⁶²

A similar situation as with the Fairtrade and organic certifications can also be found in the UTZ/RA certification: The five farmer cooperatives interviewed for this study reported that between 80% and 100% of their members are UTZ/RA certified, but only 10%-50% (depending on the cooperative) of their production are actually marketed under the label. So, it seems, again just like with the Fairtrade certified scheme, that there is an over-certification of produce in Côte d’Ivoire and the demand is lower than the available supply.

There is, however, one very important aspect which the interviewed cooperatives all agreed upon: For the cooperatives, it is economically more beneficial to directly trade with Europe than to trade with a bean’s buyer inside Côte d’Ivoire. In this regard, it is even not important whether the partner is a European company as such or a multinational, based both in Europe and Côte d’Ivoire. The important aspect is that the cooperative has higher gains when overseeing the export and transport to Europe or other export destinations. The advantages are:

1. The cooperative receives the FOB price, and not only the farmgate/intermediate trading price.
2. The cooperative, when dealing with an UTZ/RA export, can itself negotiate the premium with the buyer, which all of them confirmed to be a better situation than selling certified to Ivorian-based traders.
3. The cooperative can handle their export license with the CCC, by proving to have sustainable export relationships and the capacity to handle export procedures.
4. The cooperative feels more in charge of their possibilities and can develop further empowerment activities.

So, fostering direct export handling to the EU seems to be a valid support mechanism for the Ivorian cooperatives.

Beneficiaries, nevertheless, should be carefully separated. It is a difference whether the cooperative as an institution benefits or whether the actual individual farmers benefit. Of course, a benefit for a

⁶¹ Source: [FAO/BASIC – Comparative study on the distribution of value in European chocolate chains](#)

⁶² Sources: [FAO/BASIC – Comparative study on the distribution of value in European chocolate chains](#), [Südwind Institute/GIZ – Pricing in the cocoa value chain](#)

cooperative should also benefit its members, but the liaison is not always as straight forward as it seems. Cooperatives in Côte d'Ivoire, according to interviewees and also regarding the discussion with the cooperative representatives themselves, are often not organized in the way that all members are really much involved in the activities of the cooperative. Very often, the individual farmers have no direct information under which certification scheme their cocoa is sold, how the mechanisms work exactly and how they as individuals should/could participate actively in the "cooperative life". Cooperatives have sometimes hundreds of members, and while on paper and for certification controls everything is perfectly in order, the "cooperative culture" as it is perceived in Europe and also Latin America is often rather marginal. Farmer empowerment is absolutely necessary, but it should be kept in mind that not every member of a cooperative in Côte d'Ivoire is really empowered as an individual farmer.

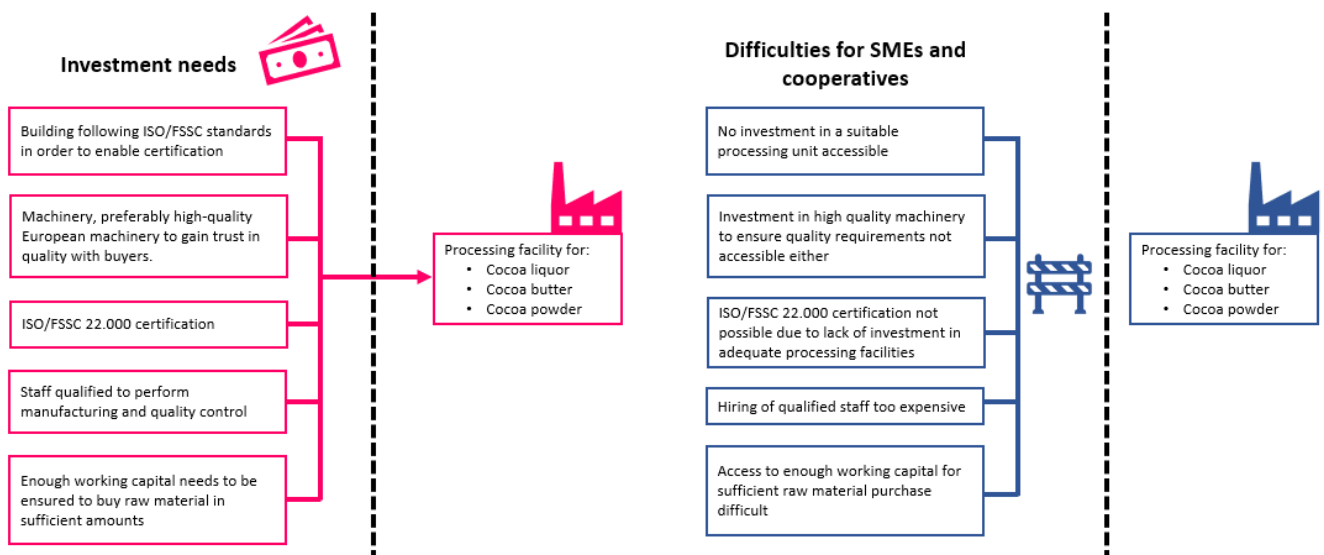
SWOT analysis: Ivorian cooperatives exporting cocoa beans directly to actors in the EU	
Strengths	Weaknesses
<ul style="list-style-type: none"> Many cooperatives are already Fairtrade and/or UTZ/RA certified. Interviewees confirmed that most farmers are aware of good agricultural, fermenting, and drying practices and just need to be motivated to employ them. There are a number of cooperatives handling direct exports already, proving that the activity is well possible. 	<ul style="list-style-type: none"> Cooperatives have not many financial means to invest for example into marketing, market approaches, let alone many technical aspects of production. Bargaining power is often weak, as farmers depend on fast revenues from their harvests. Cooperatives, even when already exporting, are often not the ones approaching buyers actively, but are "found" by buyers. Marketing strategies do not exist, even though they handle large amounts of economic value. Knowledge about the development of a long-term marketing strategy is lacking. Skills such as English language skills or market analysis skills are also lacking.
Opportunities	Threats
<ul style="list-style-type: none"> There is a large discrepancy between amount of certified beans available and market demand. → Ivorian certified cooperatives could easily export much more certified produce. When the economic partnership is worthwhile, farmers can easily improve their quality and handle raw material well. European companies do follow the trends for sourcing more directly and would probably be willing to do more so from Côte d'Ivoire once administrative handlings would become a bit easier. 	<ul style="list-style-type: none"> The hurdles for receiving and managing an export license in Côte d'Ivoire are set high. Many cooperatives are not able to overcome these challenges. Interested new possible importers of beans cannot enter the buyer market because of the Ivorian regulations regarding licenses for importers. Cooperatives might not always act in favor of the individual producers. Corruption, misleading information, lack of control are issues often hindering empowerment at the base.

6.2. Trade in intermediate cocoa-based products for food production

Does an economic feasibility exist for Ivorian *small-scale* producers to enter the market of semi-processed cocoa products? An analysis of the exact price structure for intermediate products exported from Côte d'Ivoire through the dominant multi-national market channels would require many more in-depth interviews than were possible for this study; and it would probably not answer this question for small-scale producers. Interviewees for this study were not willing to give exact business calculations in this regard. However, a few general conclusions regarding the economic feasibility of such an activity can be drawn from the interviews.

First, when wanting to enter the international market for cocoa paste, cocoa butter or cocoa powder, the product needs to be produced according to international quality standards. This means that a certain equipment is needed, as well as a certain knowledge about food safety and food production process management. Setting up such a production unit does not come cheap. In fact, it can easily become an investment of several millions of Euros. A detailed feasibility study for such an activity could bring definite clarity about investment costs, but with the existing information it is safe to say that a small-scale producer in Côte d'Ivoire – be it a cooperative or a SME private investor – would enter a very high-risk situation when aiming for this kind of market access. Many Ivorian-owned processing companies – which are not even considered SME anymore – are struggling; only a few can compete internationally.

Figure 15: Investment needs vs. difficulties for SMEs and cooperatives to establish a processing unit according to necessary quality standards



extremely important to be able to count on a constant regular quality, which does not change from delivery to delivery. The fabrication of such a product is usually very difficult to obtain in a traditional production setting. For example, some interviewees suggested that cocoa powder is the product easiest to produce because it needs not meet such high-quality requirements as for example cocoa couverture. Powder is often mixed as a secondary ingredient into pastry, for example. Another

product, cocoa butter, for example, is usually transported in its solid state, which requires producers to take care of the surrounding temperature. The cocoa liquor or couverture is also required to be produced in a certain way to preserve taste and sensory characteristics.

Second, production would have to reach a certain quantity. In the current market setting, it is unlikely that a traditional production facility producing only a couple of tons per month could directly export a semi-processed cocoa product to Europe in an economically viable way. The products are likely to become extremely expensive when produced locally in small quantities – not to mention the operational costs for managing the legal procedures of export controls of the CCC. Aspects that would need to be considered regarding quantity are:

- Products can usually only be exported in full container loads. During the production process, the already produced products for the container must be stored without losing quality.
- Only regular container shipping will give the necessary routine in handling export procedures.
- For a certain quantity in production, the respective amount of raw material needs to be pre-financed.

Third, the competition in this segment is very high, as large-scale manufacturers dominate the market, and the market is not necessarily asking for more product. The marketing would have to strongly work on validating certain marketing aspects, for example grinding at origin etc.

Again, an in-depth economic feasibility study would bring final clarity, but based on the existing information it is safe to assume that a semi-finished product not produced in a quantity of at least several containers a year would become economically feasible, taking the investment costs, costs for food safety (which still is necessary even in traditional production) and all operational costs into account.

When analyzing the more innovative intermediate products derived from cocoa, for example the cocoa pulp, Ivorian SMEs would face the same kind of challenges as in the chocolate sector. The production of cocoa pulp would require a certain quality and quantity, which can only be provided in a professional facility and would be very difficult to install in a decentralized production. Particularly the fact that in Côte d'Ivoire, the beans are taken out of their pod and then fermented on the fields or in the villages makes it difficult to produce cocoa pulp in a quality-assured manner. The production process needs to be well monitored and organized to obtain the pulp in a way that it can be traded internationally. In Latin America, the fermentation is therefore centralized particularly when obtaining the pulp.

Due to anecdotal evidence, some innovative products made in Côte d'Ivoire might correspond to a small demand in the EU. For example, one chocolate manufacturer, who had presented an intermediate snack product – cocoa powder coated cashew kernels – on a trade fair received a few serious demands for producing this product in bulk (meaning it would then still be packed into final consumer packing in Europe). Such innovations in taste can raise the interest of buyers. However, again the same hurdles need to be overcome to actually export such a product. The quality and food safety standards must be in place, the quantity must be sufficient, and the transport and export procedures must be handled adequately.

SWOT analysis: Ivorian SME/cooperatives producing cocoa-based intermediate products for export to the EU	
Strengths	Weaknesses
<ul style="list-style-type: none"> Actors in CIV are motivated to enter partnerships with EU buyers. The notions and information about food safety become more and more known to young Ivorian entrepreneurs in the food sector. 	<ul style="list-style-type: none"> Actors willing to enter production are not capable of ensuring the necessary investments without any support from other partners. There often is a lack in understanding food safety and production standards; specialized staff in this area is hard to find. The understanding of market requirements and mechanism is marginal in SME and cooperatives.
Opportunities	Threats
<ul style="list-style-type: none"> Some product innovations might raise interest with European buyers. 	<ul style="list-style-type: none"> There is no real demand of small-scale produced intermediate products due to quality, quantity, and export management issues. The export of the classic intermediate cocoa products also falls under the CCC export regulations. If this is not changed for small-scale producers, they will face many additional difficulties. High investment costs paired with not enough market preparedness might lead to bad examples of failure with high economic losses.

6.3. Trade in food consumer products

Regarding the production of consumer-packaged chocolate products in Côte d'Ivoire, the interviews and the research have shown that different market linkages are theoretically possible, but again depend very much on the individual situation and financial decision-making involved. Three different scenarios regarding export to the EU are the most likely to become possible / are proven to exist already:

1. Production of a specialty taste chocolate to be sold to very small niche markets
2. Production of a regular taste chocolate to be sold to Fairtrade and/or organic markets
3. Production of regular taste chocolate for private label

Only the first scenario already exists in Côte d'Ivoire, the second and third scenario might one day be possible in the near future, as there are examples from Ghana that do exist and could theoretically be transferred to the neighboring country.

The production of a specialty taste chocolate refers to chocolate bars produced without milk powder, thus containing very high percentages of cocoa, or chocolate produced with raw cocoa, which also gives a particular taste to the end product. There are a few of these local chocolatiers which also sell these chocolate bars in some boutiques or online in the EU, for example Le Chocolatier Ivoirien and

MonChoco. The particularity about these products is that the consumer needs to also appreciate this specialty taste and be willing to pay a comparatively high price for it in the EU. The chocolate of MonChoco and Le Chocolatier Ivoirien, for example, are sold for 4,91-8,00 EUR per 100g. This is a price not at all normal for the regular chocolate consumer, but a price for a very special product, appreciated by people for its specialty and production story. In comparison, the regular Fairtrade chocolates sold in supermarkets in Germany cost between 1,00 EUR and 1,88 EUR per 100g. Both Le Chocolatier Ivoirien as well as MonChoco sell their chocolate also at some boutiques and

small supermarkets in France to consumers. This is an economically viable business model for them, as it seems. The market is small, but connections to France are there and for the two companies, it seems to work out well. Again, an in-depth study of involved finances, investment over the years and rates of return would give clarity, but in a small-scale model, producing such specialty chocolates in Côte d'Ivoire can work economically.

However, when it comes to targeting larger markets in the EU, such small-scale models, based a lot on personal connections also to the country of export (France) are limited. The investment capacity is not high, so the production capacity is also not extremely high, and conquering large market segments does not seem feasible in this setting. Not to mention that the taste of the chocolates is particular and, especially for the German market, needs to find the chocolate connoisseur rather than the regular chocolate consumer.

In this regard, it is important to mention that in certain cases – for example in the case of Le Chocolatier Ivoirien – the activities in the EU might be better looked at as their secondary market, while the local and African market might be much more interesting in exploring first. The key success for such companies lies in the small, but growing local market, where the African companies can reach the new middle class and have a “home advantage”, while the large multinational brands are focusing on conquering other “new” markets in Asia. The success of the local chocolatiers will rise and fall with their success firstly at home, which gives them the necessary backbone to also export a bit of their produce to Europe. Le Chocolatier Ivoirien reported that around 30% of his production is exported to the EU, the rest is sold in Africa.

In any case, if a local chocolatier would like to market to a small niche in Europe, the quality requirements mentioned above should, of course, be met. It is easier to convince smaller boutique shops and local sales points of putting a foreign chocolate onto their shelves. But when approaching large supermarket chains, the buyer requirements become higher and higher, asking particularly for food safety certification. In addition, a new entrepreneur must have a good marketing strategy and some contacts already to place the product on some shelves in Europe. This should not be underestimated; only with a certain marketing attitude and knowledge, one can have such a success.



MonChoco: Chocolate
 “Classique” 70% cocoa 90g
 €4,91/100g
 in [MonChoco online shop](#)



Le Chocolatier Ivoirien:
 Tabl'Ivoire 40% 100g
 €8,00/100g
 in [myshopify online shop](#)

When it comes to the production of a regular taste chocolate, which would appeal to a larger public in the EU, either produced as own brand or as a private label for another brand, the more “regular” buyer and partner requirements become more and more important, as the product moves from a very small niche to a broader (but most likely still Fairtrade and/or organic niche) market.

No such examples could be found for this study in Côte d’Ivoire, but the German-Ghanaian partnership company fairafriC shows that such a set-up can be a feasible economic undertaking. fairafriC has transferred the production of the final consumer chocolate product completely to Ghana, organizing the marketing in the EU from Germany.⁶³ The company is still selling to the niche Fairtrade + organic market, but it has conquered some supermarket chains in Germany already and is developing well. The characteristics in taste of the chocolate correspond to the mainstream taste, for example including milk powder for milk chocolate etc. The company produces its chocolate bar with an export price in Ghana of a little bit over 1 EUR (see Figure 16).

Figure 16: Costs of chocolate bar produced by fairafriC in Ghana and sold for 2,49 EUR in Germany



Copyright by [fairafriC, Germany](https://www.fairafriC.de/)

Only this fact, that the product is produced for around 1 EUR inside the developing country, enables fairafriC to compete with chocolates in regular supermarkets in the EU. In comparison, Le Chocolatier Ivoirien stated that his chocolate bars are exported at around 3 EUR from Côte d’Ivoire.

⁶³ In some interviews, the fact that fairafriC imports some of the ingredients to their chocolates from outside Ghana was mentioned as a supposedly negative feature of the company. However, such reasoning cannot really be supported. In any chocolate manufacturing facility, the ingredients come from all over the world, be it a facility in Europe, in Africa or anywhere else. There is no reason a company from Ghana should be frowned upon because they import an ingredient from, let’s say, Germany. It is exactly the same situation as a chocolate manufacturer in Germany importing cocoa from Ghana.

The secret here is the economies of scale, as Le Chocolatier Ivoirien also confirmed to be able to produce for lower production costs in case of higher quantities. The fairafric chocolate – being sold at around €3,13/100g in the EU – is still a comparatively high-priced chocolate. The consumer pays about double the price for a fairafric chocolate than for a regular non-Fairtrade and non-organic brand in a supermarket. But for this price, the consumer receives a Fairtrade *and* organic product supporting economic development in Ghana. In this market segment, fairafric is competitive, as for example the brand Naturata, also producing Fairtrade + organic milk chocolate, sells for 2,99/100g (see on the right).

So, producing a market-ready chocolate for the German market is possible in Ghana, and under the right conditions could probably also economically viable in Côte d'Ivoire.



Naturata: Milk chocolate
Fairtrade and organic certified
€2,99/100g
[Rewe online shop](#)



fairafric: Milk chocolate
Fairtrade and organic certified
€3,13/100g
[Fairtrade shop CONTIGO](#)

But the conditions are particular, and many small things need to fit to form a successful company. fairafric, for example, is a partnership between a German and a Ghanaian company. It is ideal because both partners bring in their side of expertise, so that fairafric can flourish. A Ghanaian company without connection to the EU market would most likely not be able to create such a success story. One should not underestimate the value of the understanding of the market and the marketing to a group of clients. Other important aspects are, again, the production according to food safety standards, the necessity to comply with the requirements of certifications and regulatory authorities as well as organizing a perfect transport and supply chain. It takes a lot of professionalism to overcome all these hurdles and work on every detail. The Ghanaian partner in fairafric is therefore also a key, managing all these necessary improvements in production. Furthermore, these activities and early improvements must be well financed, which requires access to funding and affordable credits (often a big difficulty for companies resident in Africa).

However, the example of fairafric shows that a production of a final consumer product in West Africa is possible. There might be a chance for Côte d'Ivoire to also host such a successful project in the future. But many motivated actors need to come together and work in a dedicated and – more importantly – honest and fair way together. Ethiquable, for example, explained that they once had approached the idea of producing their final chocolate bars in Côte d'Ivoire, but then refrained from it due to the difficult quality maintenance issues and the experiences they made with their local partner in this regard. This shows that such relationships are very fragile; a success in producing a final product for a larger consumer market in Côte d'Ivoire requires many pieces to fall into place.

One aspect, however, is positive in this regard in Côte d'Ivoire: The final consumer products are not regulated in export by the CCC. Producers, chocolatiers can export their products without a hustle of paperwork and regulations on the Ivorian side.

Alongside the production of a new brand in a West African country could come the feasibility to produce for another brand, the so-called private label production. A situation, in which for example Ethiquable would produce an Ethiquable-chocolate at a partner company in Côte d'Ivoire would be such a setting. fairafric reported that they are not (yet) focusing on private label manufacturing, simply because they still have many possibilities in growing with their own brand. But generally, private label

production requires the same kind of set-up regarding management and quality assurance; therefore, in the long run it could become interesting to reach higher production volumes and expand.

Other products for the final consumer in the EU food sector, such as for example juices from the cocoa pulp, are much more difficult to produce in West Africa at the moment. In the juices sector, for example, a company could probably not succeed in producing only one kind of juice (from cocoa pulp) but would need to enter the “juice business” as a whole.

While there are a couple of nicely managed e small-scale juice manufacturers in Côte d’Ivoire, who could also englobe cocoa as a product, the export of juices for final consumption to the EU market is much more difficult than that of chocolate bars. The reasons for this are the difficult packaging and transport arrangements. Juice contains a lot of water, so the weight and volume in its final consumer state become large, which means expensive. Bottles need to follow EU regulations and are often not available in this quality inside a developing country, meaning they need to be imported, again increasing the production costs. Exporting juices – of any kind – from Côte d’Ivoire to the EU is very likely not economically feasible at this point in time. Again, an in-depth feasibility study would bring complete clarity. However, producing juices for the local market, also selling it in European supermarket chains inside Côte d’Ivoire, can be a very valuable road to follow for manufacturers and SME producers.

SWOT analysis: Ivorian SME/cooperatives producing a final consumer chocolate product for export to the EU	
Strengths	Weaknesses
<ul style="list-style-type: none"> Actors in CIV are motivated to enter the manufacturing of final consumer products. Some experiences exist already in Côte d’Ivoire and can help to establish new manufacturers. The local and regional market is growing a little bit, giving a possibility to conquer markets, where large multinationals do not put many efforts in (yet). 	<ul style="list-style-type: none"> The production according to international standards requires a vast technical knowledge, good staff for quality assurance and other specialists for different areas – such a team is not easy to assemble. Investments are high for processing lines. Financing without any external support or partners in Europe is very difficult to obtain. Without a good partner in the EU, marketing will become really difficult.
Opportunities	Threats
<ul style="list-style-type: none"> Many large brands are looking for sustainability projects and CSR activities. A complete production of a product in Africa can be an attractive project to find a European partner. The final products do not fall under the CCC export regulations. 	<ul style="list-style-type: none"> Interest of the EU market for such a product is still very low, even though there are some small positive examples. The more chocolate is produced at origin, the more difficult it will become to compete with multinational brands. “Small” perturbances for multinational brands (e.g., price fluctuations, delivery problems due to a crisis such as COVID, political difficulties in one country during the harvesting times etc.) are existential

	threats to SME. Their competitiveness is in high danger for a long time after having started to operate.
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6.4. Trade in cocoa butter as a cosmetic ingredient

Some interviewees mentioned the desire to export cocoa butter as an ingredient to the cosmetics industry, produced with small-scale women associations comparable to the production of shea butter. While theoretical this might seem possible, there is one important difference: Cocoa butter in its natural state is not highly demanded in large quantities for cosmetic products in Europe. It is mostly demanded in the deodorized state, which small-scale producers are not able to deliver – and the overall demand is also rather low.

Furthermore, cocoa butter is only obtained when producing cocoa powder/liquid paste at the same time. A cooperative producing the butter would also have to find a client for the other products, otherwise the activity will probably not be economically viable. In addition to these difficulties, the general difficulties to ensure quality delivery and a certain quantity are also valid for products going into the cosmetics sector.

SWOT analysis: Ivorian SME/cooperatives producing cocoa butter for export to the EU cosmetics industry	
Strengths	Weaknesses
<ul style="list-style-type: none"> Actors in CIV are motivated to enter partnerships with EU buyers. Production of natural cocoa butter is possible in cooperatives at local level. 	<ul style="list-style-type: none"> Producing cocoa butter for cosmetics use would leave producers still with no market for the other intermediate products. Production of deodorized butter not suitable for traditional production techniques. Investments for professional production units is very high and cannot be done by many SME/cooperatives. There is a lack of marketing knowledge for such a product, including handling of transport and documentation of cosmetic ingredients.
Opportunities	Threats
<ul style="list-style-type: none"> Market trends call for more natural cosmetic products. A natural cosmetics manufacturer might become interested in cocoa butter sourced in Côte d'Ivoire. 	<ul style="list-style-type: none"> Interest of the EU market for such a product is very low, almost non-existent. Export of intermediate products is still licensed under the Ivorian authorities. It is very hard to handle this issue. Market for cocoa butter in the EU for cosmetics use will remain small. Competition from other countries with better enabling environment would – if there develops a larger market – outperform Ivorian producers.

6.5. Trade in cosmetic consumer products

The chances that selling a final cosmetic consumer product produced completely in Côte d'Ivoire to the EU market could become viable in a setting involving SME/cooperative production can be regarded as marginal. The obstacles laid in the way by the EU Cosmetics Regulation are extremely high.

When cosmetic producing companies from other countries want to enter the EU market, they often approach specialized agencies in Europe who act as their 'responsible person' and guide through the process of licensing and registering the product with the EU authorities. Of course, such a procedure could also be performed by an Ivorian company, that is not impossible. But the company would have to invest a large amount of money into this process, let alone into the production side because – of course – the GMP need to be followed and possibly certified. In the current situation it seems unlikely that a company which has such a high level of development in the cosmetics production exists in Côte d'Ivoire.

Again, a complete economic feasibility study would give complete clarity, but there are many costs for such a venture. The devil can lay also very much in the details. An example is the packaging. Certain food products, e.g., chocolate bars or paper-based food sachets, can actually be produced with packaging accessible in Côte d'Ivoire. But for a cosmetics cocoa butter hand or face cream, for example, a professional plastic packaging would be necessary to attract the European customer, simple low-quality plastic boxes would not be sufficient. Such professional packaging is often hard to come buy in African countries; and import becomes very expensive.

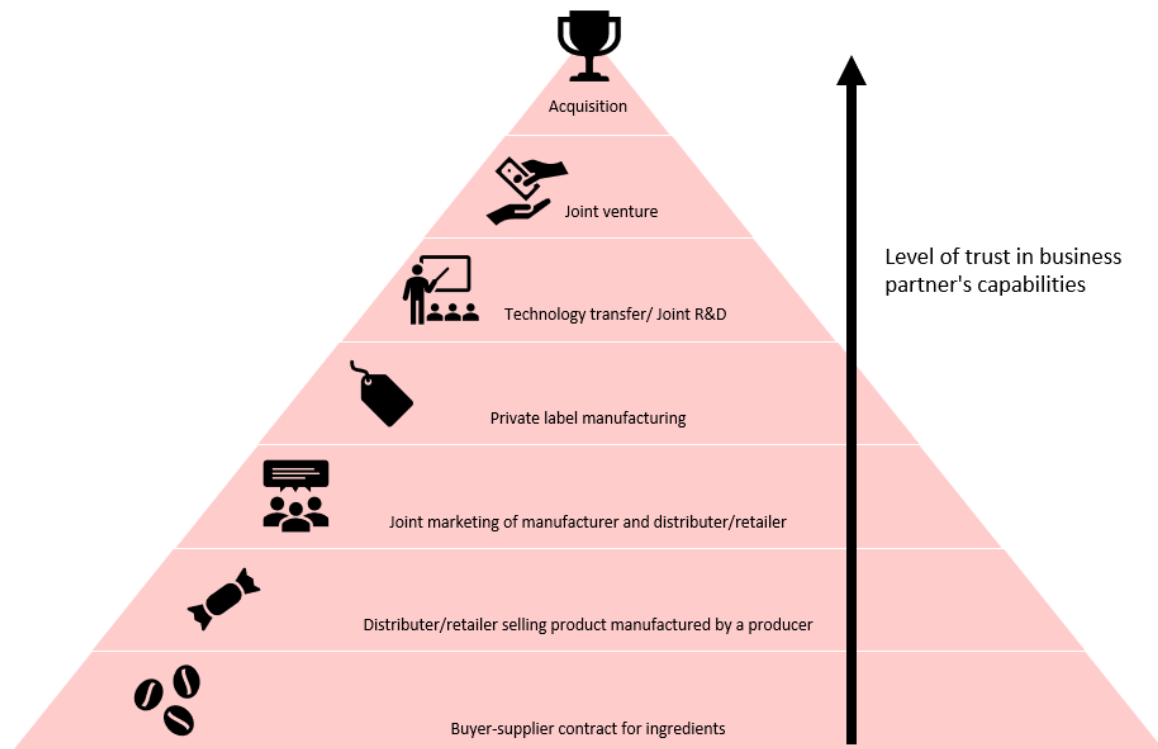
SWOT analysis: Ivorian SME/cooperatives producing cocoa-based cosmetic products for export to the EU	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Production of natural cocoa butter is possible in cooperatives at local level. • It is possible that in a certain niche market, consumers would appreciate a cosmetic product made in Côte d'Ivoire 	<ul style="list-style-type: none"> • Registering a final cosmetics product in the EU involves very high investment costs; it is most likely not economically feasible for SME/cooperative in Côte d'Ivoire. • The relevant quality criteria of GMP need to be met. • Producing cocoa butter for cosmetics use would leave producers still with no market for the other intermediate cocoa products. • There is a lack of marketing knowledge, including handling of transport and packaging.
Opportunities	Threats
<ul style="list-style-type: none"> • Market trends call for more natural cosmetic products. • Export of final cosmetic products does not fall under the CCC export regulation. 	<ul style="list-style-type: none"> • Markets for such a product would still be small, so there is a real threat to not find a market niche. • Competition from other countries with better enabling environment could – if there develops a larger market – outperform Ivorian producers.

7. Market entry scenarios for Ivorian producers and recommendations

Based on the information collected and the analysis in the previous chapters of this study, this last chapter will present the most likely scenarios to enable a direct market linkage of Ivorian producers of the different product to the EU market. Each scenario will shortly be described, including its benefits for the Ivorian economic actors and existing examples of the scenario, if any. Recommendations are then given regarding activities which could support the successful implementation of the scenario in the future.

A first, overarching recommendation to all actors, Ivorian producers, Ivorian manufacturers as well as cooperatives, but also donor and government agencies is to become aware of the importance of trust and the sort of partnership which can possibly be built on that trust. Figure 17 illustrates the different forms of possible partnerships from the perspective of a European business actor.

Figure 17: The “Pyramid of Business Alliances” from the perspective of most European companies



Own adaption of the “Pyramid of Business Alliances” to the trade in the cocoa sector.

The “Pyramid of Business Alliances” describes not only the sort of possible relationships between business partners, but it also describes their *likelihood*. At the bottom of the pyramid are the “simple” buyer-seller contracts for ingredients. Such contracts are by far the most common areas of cooperation. In the chocolate trade from Côte d’Ivoire to Europe, or one can rather say from the Ivorian actors to the European actors (even when those are operating on Ivorian soil), almost all the business relations remain on this very first step of buyer-seller relationships in “simple” raw or intermediate

product trade. But, of course, this trade is not that simple already. The supplier must meet the requirements necessary to sell a quality product, which is accepted by the buyer. This already requires a good deal of work, investment as well as cooperation and communication.

However, to understand the possibilities that exist in the chocolate value chain for Ivorians to partner up with European companies, it is important to see that already the second step in the pyramid refers to the final consumer product; and the following steps only intensify the business relation in terms of contractual relationships and liabilities, rather than setting-up the manufacturing of the product itself. Or, in other words, in the regular development of a business partnership, the manufacturing partner established first a solid and trustworthy manufacturing business *before* entering in deeper cooperation agreements and alliances with distributing partners.

The reason for introducing this illustration into this study is that often actors in developing countries – interviews for this study showed it again – are not aware of the different steps a business relationship usually goes through. European companies – which are often also considered SME according to the EU's definitions – often cannot afford to enter partnerships higher up the pyramid of alliances. And if they decide to do so, the level of trust needs to be high; it often takes years of simple contracts between actors, visits, meetings, problem solving, observing reactions, before a European company is ready to trust a partner in for example Côte d'Ivoire to enter a deeper relationship. But the actors longing for economic development in the partner country understandably want to leap into strong partnerships; and from their side often have almost no trust issues regarding the European companies. Actors often cite their wish for a "joint venture" with a European company, not being aware that such a relationship is extremely unlikely to develop in a short timespan and that any joint venture requires a high investment *on both sides* before becoming a reality.

Some interesting citations in this regard can also be found in the study "Le potentiel de la transformation locale de cacao en Côte d'Ivoire" of the Belgian Trade for Development Centre⁶⁴, for example:

- "Nous cherchons des partenaires pour accroître les investissements, nous cherchons des fonds pour pouvoir être représenté au niveau régional. Notre objectif est de parvenir en 10 ans à transformer 20 à 30% de notre cacao." (ECOYA Coopérative)
- "On a besoin d'aide financière car les machines sont vraiment chères, elles doivent venir d'Europe." (CPSL Coopérative)
- « Les investissements sont énormes, et nous avons besoin d'être accompagnés, sinon nous ne pourrions jamais avancer dans ce projet. » (ECAMOM-COOP Coopérative)

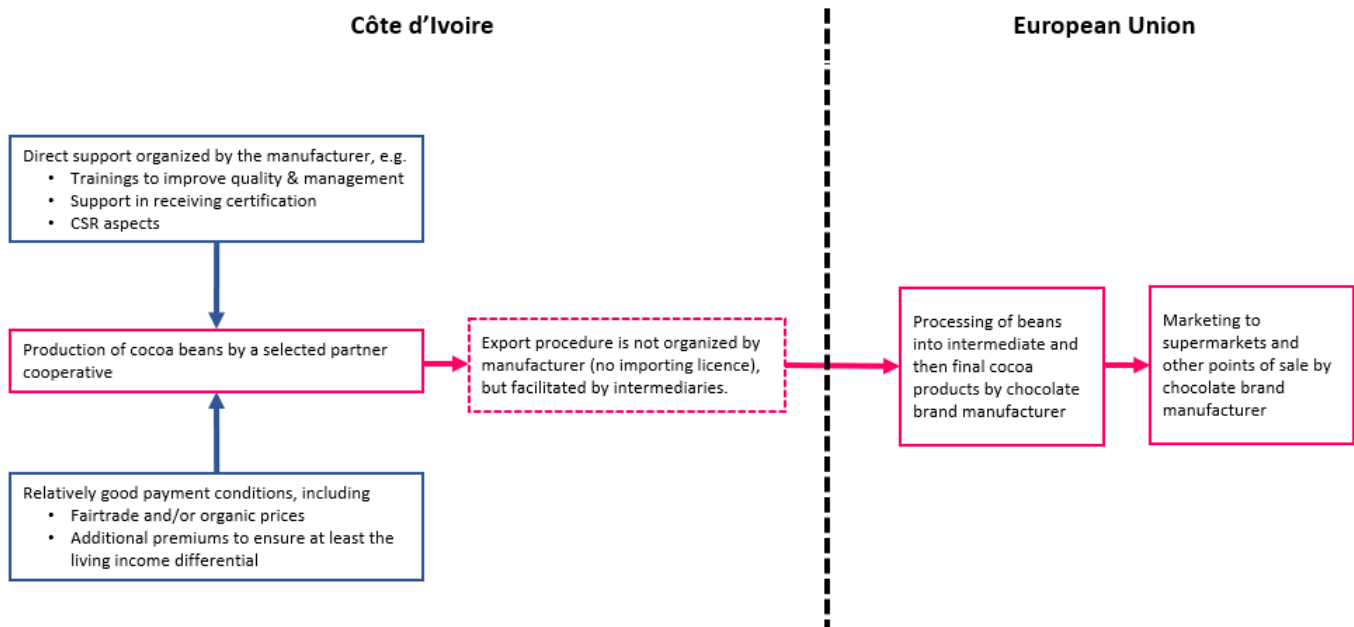
Such statements show the high expectations that small-scale producers often have. But European private companies follow their economic reasoning and while being arguably "better off" than small cooperatives from developing countries, they still need to be very careful where and how to invest to stay successful in business. Trust between partners, long-term relationships cannot be underestimated.

It is therefore very much recommended that both Ivorian actors as well as support projects are encouraged to enter a more frequent direct contact to the market actors in Europe. This can, for example, be done at the relevant trade fairs, but also certain online activities could be encouraged. The importance is that a realistic picture of what is possible and what is necessary to invest (money, but also human resources, commitment) emerges in as many Ivorian actors as possible.

⁶⁴ Source: [TDC – Le potentiel de la transformation locale de cacao en Côte d'Ivoire](#)

The following scenarios explain some areas in which such a closer exchange between actors might be possible in Côte d'Ivoire.

7.1. Direct trade of cocoa beans supported by manufacturer



Description of the scenario and benefits for Ivorian actors

The scenario outlined in the illustration above refers to a partnership between a European manufacturer/brand and one or more cooperatives producing the beans in Côte d'Ivoire. Examples include the sourcing project of Tony Choclonely as well as the engagement of Ethiquable. This scenario was described as the most beneficial scenario for the cocoa farmers in the previous chapter.

The backbone of these kinds of relationships is, certainly, the engagement of the European company. For one reason or the other – usually a strong ethical and/or CSR background – the European companies become involved and partner up with local cooperatives. For the cooperatives, such a project is very beneficial because the prices paid are a lot better than in other trade scenarios. Furthermore, the cooperatives and farmers benefit from trainings, from improved quality and empowerment. The processing of the raw material, however, is done in Europe. There is, therefore, no transfer of knowledge or technology regarding further processing of the raw material.

Interestingly, the interviewees for this study confirmed that the actual process of exporting the beans is usually not done by one of the primary partners. Exports are organized in both projects mentioned with the help of another large cooperative (ECOOKIM) or with Océan, another company facilitating the trade in beans. This arrangement is, in fact, a rather good solution for the otherwise extremely difficult to arrange direct export. It shows that smaller manufacturers in the EU could become involved with Ivorian producers, but would not have to worry too much about how to organize the export procedures. On the other hand, the situation also shows that not even long-time experienced actors in Côte d'Ivoire such as Ethiquable want to become involved in the CCC procedures – a rather discouraging fact.

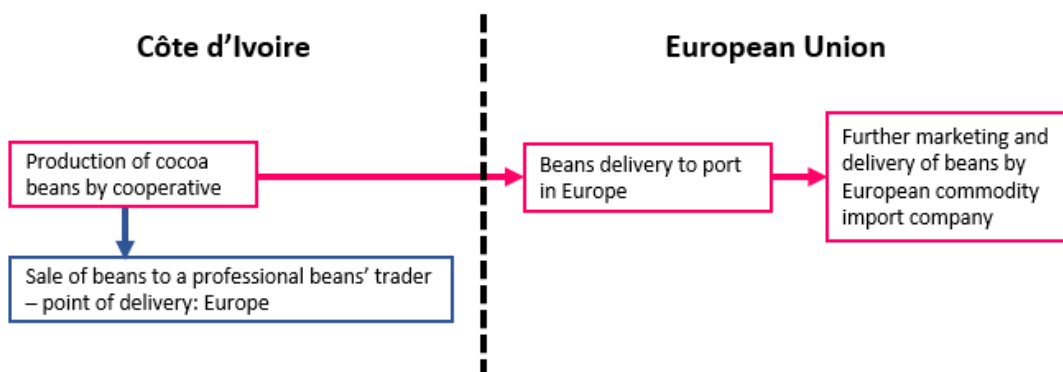
Recommendation for Ivorian actors and support projects

Certainly, almost every cooperative in Côte d'Ivoire would like to enter such a beneficial relationship with a European manufacturer. But this sort of partnership does not come easy. As a producer cooperative, the best changes to become ready for such an arrangement are:

- Becoming very well managed and organized, ensuring full traceability
- Improving handling and quality of beans, ensuring good agricultural practices
- Understanding the export regulations and having contacts to registered exporters, in order to enable export
- Becoming very well acquainted with marketing aspects, starting to work on unique selling propositions, brochures, well-maintained websites in order to attract interested partners
- Becoming able to fluently communicate in English to be able to approach buyers who do not speak French
- Developing a strategy for marketing and approaching buyers proactively, such as visiting relevant trade fairs, investing into traveling and staff necessary for marketing aspects

An interest of having a direct – or at least more direct – relationships to suppliers and cooperatives exists. Many smaller manufacturers in Europe like to become involved directly, but then often turn to cooperatives in Latin America for partnerships. There is no reason that Ivorian cooperatives could not also benefit from this trend, except that their level of development is often lacking behind the one of their competitors from other countries. Here, support projects can enter the scene. The above-mentioned aspects, often very weakly developed in Ivorian cooperatives, can be strengthened and supported in order to create the favorable condition that in the case there is an interested partner in Europe, that partner would actually consider a cooperative partnership in Côte d'Ivoire a realistic option. Support projects can also raise awareness in the EU, encouraging the dismantling of the country of Côte d'Ivoire as a high-risk operational country.

7.2. Direct trade of cocoa beans to EU beans' importers



Description of the scenario and benefits for Ivorian actors

The scenario described above reflects one of the common ways of export of beans to the EU. It reportedly exists in the cases in which cooperatives have managed to go through the process of receiving the license for export in Côte d'Ivoire. Such an organization of the value chain was reported to exist for example in the case of the German companies Albrecht & Dill Trading GmbH as well as

H.C.C.O GmbH. But it is also an existing model of export organized by multinationals such as OLAM or Cargill.

The important factor in this scenario is a port in Europe as the point of delivery. It means that the cooperative producing and exporting the beans receives the FOB price for their product, and not simply the farmgate price plus small handling fees. All interviewed cooperatives confirmed that this model of export trade is much more preferred by them than selling inside Côte d'Ivoire to multinational companies, for example. It brings back a higher revenue and enables the cooperatives to negotiate their prices at the international FOB level with the buyers. This becomes particularly interesting when premiums for UTZ/RA or organic are paid.

It is unclear, however, if or in which way the individual farmers benefit more from this direct export trade. When the cocoa is exported through the certification scheme, of course, the individual farmers benefit depending on the certification. Other than that, the direct beans export does not seem to have a high influence on the financial situation of the *individual* members of a cooperative, whereas for the empowerment of the cooperative as such it is beneficial.

Ivorian producers feel – justifiably – that they are the very weakest link of the cocoa production chain. This weakness and often felt helplessness of the producers does not only stem from the low prices that they often receive for their produce, but arguably also from the fact that the producers do not feel that they can influence anything to improve their situation. Only as members of cooperatives, as a group, they can enlarge their negotiation power.

The history of the cooperative movement in Côte d'Ivoire does not correspond to the development of farmer organizations and associations in Europe, and there are certainly still many things to be desired in the current management of many cooperatives in Côte d'Ivoire. The empowerment of the individual farmers in decision-making can still very much be improved. But nevertheless, the cocoa cooperatives are close to the producers and have many opportunities to support the members directly. They form the platform for producer empowerment, for negotiating with multinational actors on better conditions and for voicing the concerns of their members in the international cocoa sector. A strong cooperative, therefore, is a much better actor for enabling a sustainable value chain than a weak cooperative only grouping up its members for collective exploitation.

Recommendation for Ivorian actors and support projects

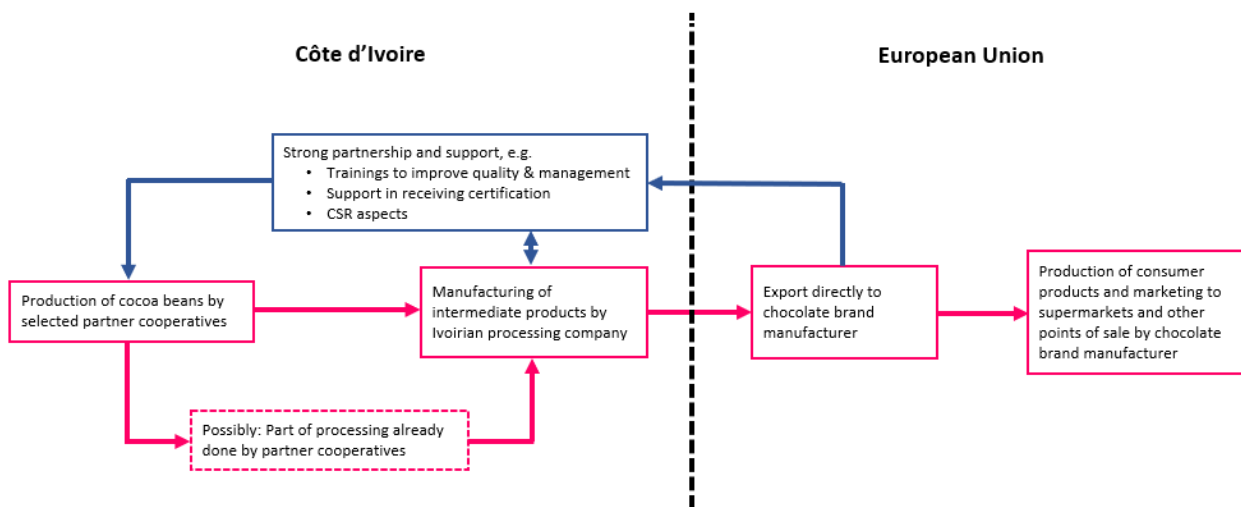
Farmer cooperatives should be supported in becoming more powerful towards the international buyers. In case a cooperative strives for a direct linkage to the market and for organizing their own exports and marketing, it is a positive approach. The activities which they should in this case foster, and can also be supported by for example donor projects, are:

- Cooperatives must strengthen their membership base, improve their internal organization and accountability to become a strong and reliable voice for the members.
- A very important obstacle is obtaining the legal export license for cocoa beans, a costly, political, and difficult procedure. Government and donor projects can facilitate these procedures and support cooperatives to go through this process.
- A cooperative aiming for direct export needs to become familiar with all export-related technical and administrative aspects. This might take some time; trainings and coaching can be very helpful.
- Establishing new contacts, acting in a professional business way, communicating internationally – these aspects also need to be tackled by the cooperative, for example

participating in international trade fairs, employing staff for marketing aspects and representation.

Furthermore, the aspects mentioned under 7.1 also apply for the kind of direct market linkage under this chapter: Certifications are very useful, almost indispensable; marketing knowledge and English language skills are helpful to find new partners; and strategy development can support a cooperative to develop its capacities. All these aspects can be very well supported by projects.

7.3. Intermediate products produced by Ivorian-owned larger processing companies in strong cooperation with local producer cooperatives



Description of the scenario and benefits for Ivorian actors

The scenario sketched above is a theoretical scenario; this study could not confirm the existence of such a system in Côte d'Ivoire.⁶⁵ The characteristic of this scenario is the role that a local cocoa processor plays in the organization of the value chain. In Côte d'Ivoire, there are many multinational processors active, but also some smaller Ivorian or foreign owned single companies. According to the interviewees of this study, many of those processing units struggle and have difficulties being competitive in the international cocoa environment. At the same time, the diversification of the processing sector as well as investments of Ivorian-owned businesses can generally be regarded as beneficial for the Ivorian economy as a whole. Functioning smaller processing units can enable knowledge transfer into the Ivorian business community, can enter local and regional niches, bring general business development and high-quality food production skills into the country.

However, a processing unit still must be professionally managed and requires high investments. Therefore, it is rather unlikely that a farmer cooperative can sustainably establish a high-quality cocoa processing plant, competitive at international food quality level (without any external financial support) and with sufficient marketing knowledge to become competitive against established manufacturers. But the already existing manufacturers, or new independent investors, could be encouraged to aim for a more direct access to the European market and alongside this approach develop themselves in terms of sustainability, CSR and internal management aspects. In turn, this can lead to further farmer empowerment and financial benefits for cooperatives partnering up with such production units.

⁶⁵ Examples might exist, though, as not many local processors were interviewed for the study.

The important aspects in this regard are full transparency, traceability, and fairness – in addition to a high-quality product. Long-term linkages to farmer groups should be part of such a value chain structural approach. Farmers would be encouraged to improve quality, in turn for fair treatment and eventually higher prices. At the same time, a strong communication regarding transparency and traceability would attract long-term European partners, who value the more direct linkage to processor and involved farmers and would eventually also be open to pay the prices for the intermediate products produced in Côte d’Ivoire.

Recommendation for Ivorian actors and support projects

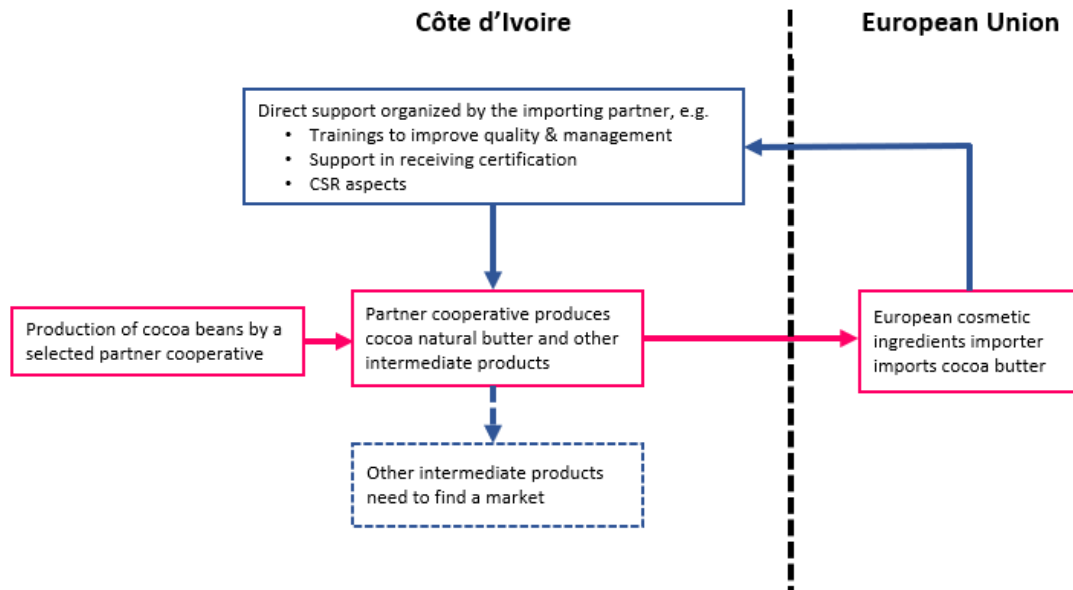
In many other agricultural sectors, such value chain organization models work very well and can ensure a sustainable value chain, in which actors are very directly linked, support each other and benefit. In the cocoa sector, the multinational grinders are very dominant, putting local investors under a lot of pressure.⁶⁶ But sector projects could possibly support these actors in changing their approach to the international market slightly and encourage the adoption of more innovative ideas. Activities could include:

- Linking of Ivorian local processors with farmer cooperatives to establish long-term partnerships, e.g., supporting quality enhancement, pre-financing etc.
- Exposing Ivorian processing companies more directly to markets in Europe by organizing trade fair visits, sector contacts and marketing support.
- Focusing on aspects of CSR, Fairtrade and other trends which are increasingly in demand in the European Union, so that Ivorian processors develop in this regard and become more competitive internationally.

For the Ivorian processors, particularly those who are struggling to stay in business, a reorientation towards innovative projects and a more direct market linkage could very well be a strategy for business development. In the interviews and particularly newspaper articles read for this study, it seemed that the Ivorian processing units are often very dependent also on the multinational companies for establishing the market linkage for them. It shows that there seems to be a lack of developing more independent marketing strategies, analyzing possible target markets, necessary investments, possible niche marketing opportunities. Instead for, for example, aiming at producing for the large chocolate brands, a smaller production unit could also try to establish contacts with smaller chocolate makers, offering positive traceability and CSR aspects.

⁶⁶ As a side note: The multinational grinders are often also very involved with the producer groups, supporting them in various areas and also establishing beneficial partnerships for the farmers. But these multinationals have established sales markets, which the locally owned smaller processors have not.

7.4. Cocoa butter production in a partnership with a cosmetics manufacturer



Description of the scenario and benefits for Ivorian actors

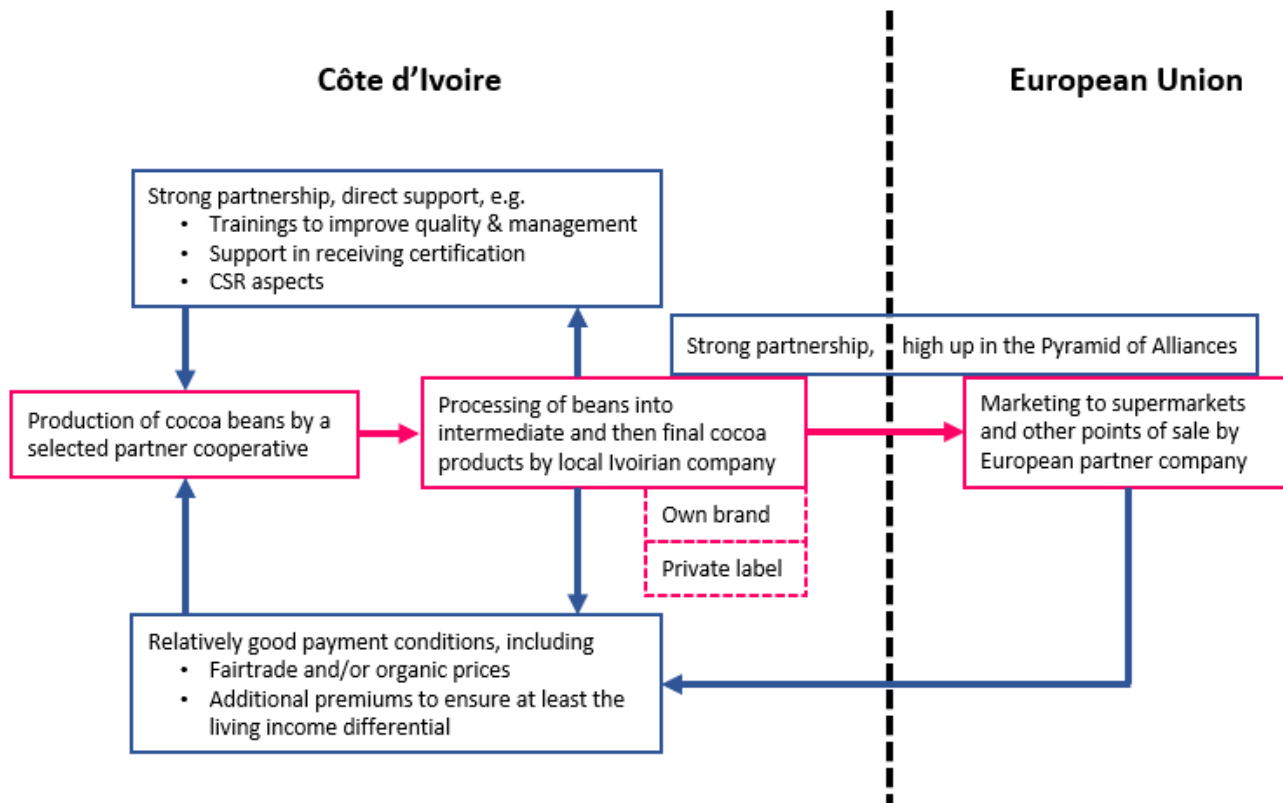
The scenario sketched above has also not been witnessed in Côte d'Ivoire yet. The benefit for the producers in such a scenario is mainly that a small-scale cooperative would have a sufficient large sales market to enter the processing of cocoa. While producing cocoa paste, butter and powder for the international food industry might not be feasible due to high quality and quantity demands, exporting the cocoa butter to a partner in the cosmetics business possibly provides enough financial sustainability for a cooperative to sustain a processing unit. However, the other intermediate products, particularly the cocoa powder and paste, also need to find a buyer – possibly locally – to not go to waste. Therefore, such a scenario would require a high engagement of the cosmetic manufacturer who is interested in supporting cooperative in ethical trading and production at origin.

Recommendation for Ivorian actors and support projects

For individual cooperatives or small-scale producers, it will be very difficult to focus on developing such a kind of partnership without being supported by a respective partner and/or a project. The chances to develop such a partnership become higher, the better the cooperative is developed in terms of certification, international organization, human resources (speaking English, developing general commercial skills, communication, and marketing) and knowledge about processing as well as quality measurements.

All these aspects can be supported by development projects. But ultimately, this scenario will depend on a European manufacturer of cosmetics to become interested in such a direct partnership. Here, some activities of donor project might support interested cosmetic companies or raise awareness about the opportunities in the country of Côte d'Ivoire.

7.5. Production of mainstream taste chocolate products



Description of the scenario and benefits for Ivorian actors

As described in chapter 3.1.4 there seems to be only one example for this scenario in West Africa, namely the company fairafric in Ghana. It was also already described chapter 6.3 how this success model works and how much it is based on the two partners, one in Germany, one in Ghana. Together the partners have successfully managed to transfer the production of “regular” certified chocolate bars to the country of origin of the cocoa beans. The production is done according to international standards, just as it would have been when produced in Europe; and the marketing in Germany is done efficiently and successfully.

There is no doubt that such a transfer of the complete production process is extremely beneficial for the Ghanaian economy in this case. It creates value added, employment as well as knowledge transfer, technical development, and industrial capacities. Such a set-up turns the chocolate manufacturing world upside down; and is one of the most beneficial developments for West African countries.

It would be possible to repeat such a project in Côte d'Ivoire. There are local processing actors, who most likely would be able to enter such a project with a European partner, be it Le Chocolatier Ivoirien with its manufacturing experience or a couple of the locally owned processing units. At the same time, creating a successful project is also really difficult, as many hurdles must be overcome and the amount of professionalism, investment, seriousness and persistency must not be underestimated.

Recommendation for Ivorian actors and support projects

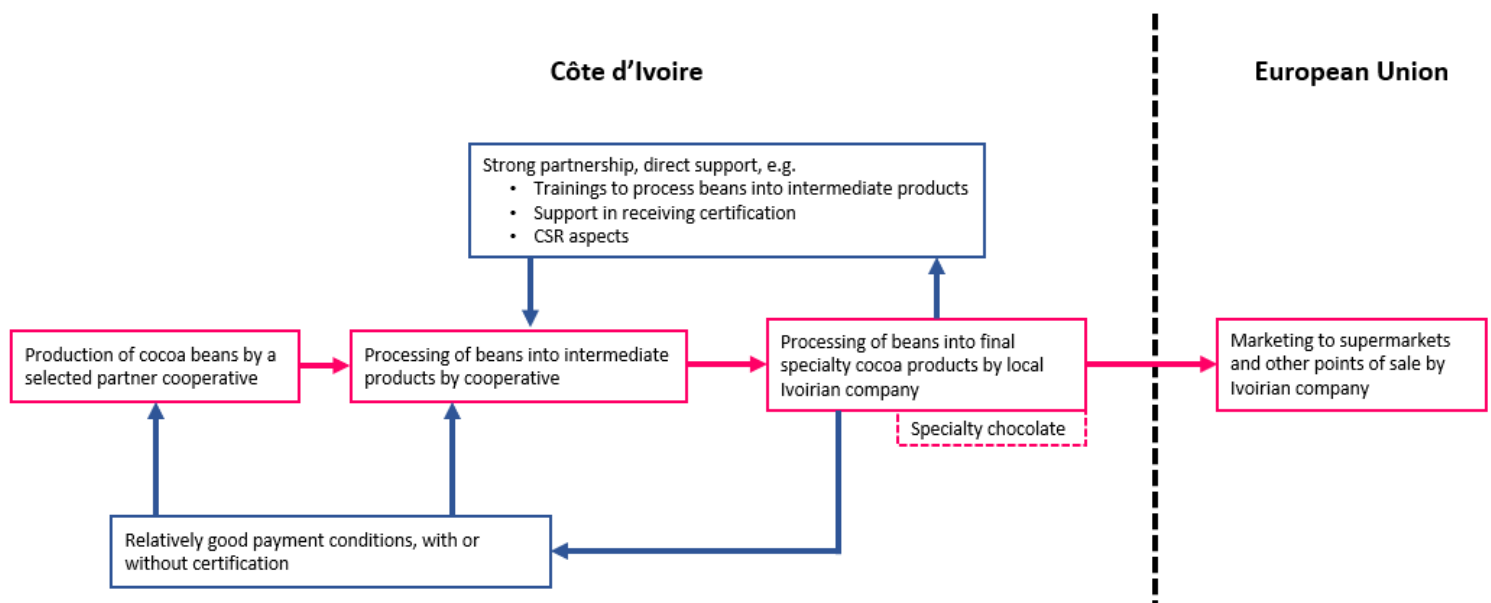
Individual actors in Côte d'Ivoire who wish to enlarge their manufacturing of chocolates or expand from processing intermediate products to chocolate production will have difficulties developing without a confirmed market or a strong marketing potential. Therefore, the best way to possibly start

such a project is to really get into close contact to potential partners, to explore the markets, the actors, and the possibilities. Activities which can support this are:

- Visiting trade fairs and B2B events to meet possible partners and learn about market demands
- Becoming familiar with all the necessary technical, food safety and logistical aspects of producing a final product in Côte d'Ivoire for export to the EU
- Thoroughly investing into feasibility calculations and studies, defining all necessary investments as a basis for discussions

These preparations can also benefit from respective support projects. The actors in Côte d'Ivoire must become strongly professional and trustworthy to be able to work with European partners.

7.6. Production of chocolates for the small specialty chocolate market



Description of the scenario and benefits for Ivorian actors

There are a couple of successful examples of this scenario in Côte d'Ivoire, namely Le Chocolatier Ivorien, MonChoco or Cocoland. These very engaged local chocolatiers have developed small-scale but in a successful way over the past years; their business model therefore seems to be sustainable. It is also extremely beneficial for the local producer cooperatives, who produce the intermediate products for these chocolates. An incredible knowledge transfer takes place in these partnerships, which directly benefits the local communities, particularly women. Furthermore, employment is created in the manufacturing units. The chocolates are sold at very high prices, also ensuring a good price to the producers and – even though not always certified – a fair trade model.

However, as explained earlier, the markets in Europe for such products, which follow a manufacturing process not aimed for the “usual” consumer, are limited. As the prices remain high in the EU, the products most likely will remain in small niches. This can still be a viable business, but economies of scales are difficult to archive in such a setting. Furthermore, since the market niche is so small, it would not be realistic to assume that many such small-scale brands can develop at the same time.

The benefit for the Ivorian economy of such smaller projects is certainly that technical knowledge and marketing knowledge regarding chocolate products enters the Ivorian community. Local chocolatiers

can also enhance the local consumption, offering unique products – locally also for cheaper prices – for the growing middle class. In the long run, this is very positive, as the sector diversifies, and more and more small-scale economic actors gather capacities and knowledge about chocolate production.

Recommendation for Ivorian actors and support projects

This scenario is very similar to the scenario 7.5, as it very much relies on the initiative of one partner who wants to advance in this direction and has the means and capacity to do so. It is important that potential chocolatiers enhance their capacities on the technical side of production, including food safety but also the “art” of producing chocolate, but also on the marketing side. A successful project in this regard does not only need to produce good specialty chocolate, but it also needs to understand how to market the product and how to approach distributors and sales partners.

In the existing cases, the connections to France are often strong, so that all the mentioned small-scale chocolatiers are focusing on the French market. It could be just as well possible to conquer these niches in other EU countries, but for this the company would need to develop a profound marketing strategy.

Support projects can help upcoming start-up chocolatiers by – as also said in other scenarios – exposing the engaged businessmen and women to the markets, so they can make contacts and exploit niches. At the same time, technical knowledge about the production side is very important, so that organizing trainings or fostering exchange with for example already successful production centers can be very helpful activities.

Annex 1 – Interview list

Company/organization	Interviewee	Role and contact email	Interview date
Côte d'Ivoire			
Condicaf	Phillipe Mathieu Metch	Authorized representative philippe.metch@condicaf.ci	18.06.2021
ECOOKIM	Vamara Konate	Export responsible konate.vamara@ecookim.com	21.05.2021
Le Chocolatier Ivoirien	Axel Emmanuel	CEO axeldasilva@yahoo.fr	20.05.2021
SCOPEGA-SCOOPS	Ange-Laurent Gnagne	President angelaurentgnagne@gmail.com	20.05.2021
Germany			
Albrecht & Dill Trading GmbH	Carlos Schröder-Castendyck	Partner cschroeder@albrecht-dill.de	11.05.2021
Bundesverband des Dt. Lebensmitteleinzelhandels	Christian Mieles	Managing Director mieles@bvlh.net	25.05.2021
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