CBI Trends:

Cocoa
Introduction

The cocoa sector is confronted with various opportunities and threats. The market increasingly demands transparency and traceability, which has put food retailers under increased pressure to assure customers of the origin and authenticity of food products. Some companies respond to this trend by having their entire supply chain certified for sustainability. There is also a rising demand for healthy products, which is translated into a growing demand for dark and organic chocolate. Some other trends that the sector faces are increasing demand for premium and/or specialty cocoa, innovation and storytelling.

Transparency and traceability

Food safety is a growing concern among consumers. Several scandals related to imported food have put food retailers under increased pressure to assure customers of the origin and authenticity of food products. This has led to an increasing demand in Europe for transparency and traceability of food products, including chocolate and cocoa. Food companies in Europe, including importers and retailers, are now required to have traceability systems in place. Traceability is a methodology that provides the ability to identify the path and the history of a product and monitor the processes it is subjected to throughout the supply chain. Particularly in the fine flavour cocoa sector, traceability is becoming an essential aspect, not only for food safety but also as a marketing tool. From bean to bar, buyers are eager to trace and show to their customers that their cocoa products are fully identifiable and correspond closely to the characteristics, origin and quality that are described. Traceability is strongly related to certification, as traceability is the most important aspect of conformity with certification requirements and standards.

“Consumers want to know the origin of the cocoa and its semi-finished products. This makes traceability extremely important.”

Hugo Hermelink
Cocoa exporter

Tip:
- Focus on traceability by making sure that you know the supply chain of the cocoa you export: know and document from whom you buy your cocoa, which products are used during the production process and to whom you supply your products. For further information on traceability, refer to the manual “A Guide to Traceability” produced by the United Nations Global Compact (a large corporate sustainability initiative).

Sustainability and certification

Social, environmental and economic issues have become much more important during the past decade. More and more emphasis is being placed on sustainable supply in many sectors of industry, including the cocoa sector. As a result, international sustainability certification bodies such as UTZ, the Rainforest Alliance and Organic Certification are gaining ground. Overall, such certification focuses on improvements in farmers’ livelihoods, developing good agricultural practices and capacity building, although the main focus may differ from one certification system to another. The main focus of UTZ and the Rainforest Alliance, for example, is on increasing farmer productivity, whereas Fairtrade focuses on the creation of sustainable trade relations.

There are various reasons for companies to move to certification of supply chains, for example end-consumer demand, guarantee of transparency and traceability, improvement of brand reputation and the credibility of the claims they make. Certification is particularly important for medium and large cocoa industry players. However, there is considerable debate about whether certification is really good for farmers. While some consider it to be an adequate tool to promote sustainability in the value chain and to improve the livelihoods of cocoa farmers, others are less optimistic about the net benefits that certification offers to cocoa farmers. Furthermore, there is still a large majority of farmers who cannot benefit from certification because their production methods are not yet certifiable or because they do not have the means to implement the required changes.
“Certification is essential for the medium and large chocolate companies: they are under consumer pressure to implement this. Small to medium bean-to-bar chocolate makers are more interested in direct trade and less in certification.”

Sonbol Valadi  
European chocolate producer

Tips:
- Make sure that farmers are trained in good agricultural practices. Increasing yields, improving farm efficiency and improving the quality of cocoa beans might contribute more to an improved farm income than potential price premiums for certified products.
- Consider applying for certification, but bear in mind that certification might not cover all the issues buyers may ask for.
- The production and sales of certified cocoa beans are not (yet) balanced. In 2013, between 35% and 50% of certified cocoa production was actually sold as certified according to the Cocoa Barometer 2015. When considering whether to export certified beans, make sure that your buyers make long term commitments regarding the volume and type of certification they want.
- Refer to the CBI "Buyer requirements for Cocoa" for further information on certification.

Growing health awareness

European consumers are becoming savvier about the food products they use and are increasingly choosing healthier and more 'natural' food products. They prefer for example products that offer health benefits, with little or no sugar and/or with natural ingredients. The cocoa industry is using this trend to its advantage by stressing the beneficial health effects of cocoa. Cocoa contains flavonoids (antioxidants) which are associated with health benefits such as lower blood pressure, improved blood vessel health and improvement in cholesterol levels. Health benefits are highest for dark chocolate due to its higher percentage of cocoa. This is making good quality cocoa (with well processed beans and preferably a fine flavour variety such as Trinitario) more and more popular. The cocoa industry is also increasingly adding real fruit, vegetables or nuts to their cocoa products as these are perceived as healthy by the consumer, allowing them to indulge their passion for chocolate more while still convincing themselves that they are making a healthy choice.

Tips:
- Focus on the development of cocoa products with "healthier" components such as dark chocolate, chocolate with added fruit, vegetables or nuts or chocolate with no added sugar or sugar substitutes (including stevia, agave or coconut sugar).
- If you intend to use health claims in your marketing and labelling you need authorisation by the European Food Safety Agency (EFSA). Contact EFSA’s Helpdesk for further information and assistance. Also refer to the European legislation on "Nutrition and health claims made on foods" (Regulation EC 1924/2006) for further information.
- Be specific on your labels regarding the origin of your cocoa product and ingredients such as genetically modified organisms (GMOs), additives, type of vegetable oils and fats used and potential allergens. For further information on labelling, see the CBI "Buyer Requirements for Cocoa".
- Recent studies have shown the presence of cadmium in cocoa beans, which may be a health hazard. The European Union has responded by strengthening its regulation on cadmium in cocoa products. The new regulation will come into effect in January 2019. If your products do not comply with this new regulation, they will be refused entry to the European market. Refer to the CBI "Buyer requirements for Cocoa" for further information on this new legislation.
Rising demand for premium/specialty/fine flavour cocoa

Demand for premium and specialty cocoa is growing in Europe, especially in Northern and Western European countries such as the United Kingdom, the Netherlands, Germany and Switzerland. This development is driven by the health trend and the search for more exclusive products. Premium/specialty/fine flavour cocoa is cocoa with special characteristics such as single origin or with special flavours (organoleptic properties). The cocoa used in premium/specialty/fine flavour products must be of a certain “premium” quality, as the added value of these products depends on this.

Tips:
- Access to the premium/specialty/fine flavour cocoa market is only possible for cocoa of extremely high quality. If you want to focus on this market, you must make sure that you can deliver cocoa of the required consistently high quality.
- Focus on direct trade, as this is one of the most important trade channels in the premium/specialty/fine flavour market.
- Market preferences may differ from one European country to another. You should therefore research the characteristics of your target European market carefully, for example by checking flavour profiles and origins. Your trading partners may also have ideas about how to create opportunities for quality-differentiated products in the European market.

Innovative products and flavours

Industry players worldwide are trying to develop innovative products with such properties as new flavours, origins, textures, forms and applications. Flavour is becoming particularly important in this context. Innovative packaging such as illustrated packaging, environmentally friendly packaging or elegant packaging can also give real added value.

Tip:
- Focus on product and package innovation to add value to your products. Try to find for example a unique flavour combined with other interesting characteristics which can boost your sales on European niche markets.

Storytelling

The story you can tell about your product can be just as important as the flavour nowadays. Consumers increasingly want to feel a link with the product or brand they are thinking of buying, and they are interested in its origin and story behind it. The story can tip the balance when it comes to making a sale. More and more companies are therefore using storytelling as a marketing and branding tool, in the cocoa sector as in other sectors. This trend is driven by the transparency of a socially connected world. Social media, blogs and specialised apps are driving consumer perceptions and impelling consumers to buy products that come from a sustainable, socially conscious company. The stories told about the Colombian coffee brand “Juan Valdez” may be regarded as best practice in this field.

Tip:
- Make sure you know the story about your cocoa products, and tell it to your buyers and other trading partners. You may for example describe how your farmers live and how they produce their beans. Use visuals such as photos and videos to enhance your story.

Partnership/trade agreements are gaining importance

As from 1 January 2014, the European Union revised its Generalized Scheme of Preferences (GSP) which provides preferential import tariffs for products from selected developing countries. The new scheme is focused on fewer beneficiaries (90 countries) to ensure more impact on countries most in need. As price is leading, changing tariffs will have an impact on the cocoa trade. Many cocoa producing countries have partnership or trade agreements with the European Union and can export cocoa with a tariff of 0%. For example within the ACP-EU Cotonou agreement the European Union is supporting countries in the African, Caribbean and Pacific regions in the reduction and eventual eradication of poverty (including reduction in tariffs).
Growing rates of per capita consumption in emerging countries

Per capita chocolate consumption in emerging markets such as Brazil, Russia, India and China (BRIC) and Mexico, Indonesia, Nigeria and Turkey (MINT) is considerably lower than in developed nations such as Switzerland, Germany or the United Kingdom. However, consumption levels in these emerging countries are rising and their populations are huge. Emerging markets therefore offer considerable growth potential.

Tip:
- Apart from exporting to Europe, you should also consider exporting to emerging countries or regional markets.

Refer to the CBI “Trade Statistics for Cocoa” for further quantitative information on trends in the European cocoa market.

The CBI “Market Intelligence Platform for Cocoa” provides access to all CBI market intelligence documents relating to cocoa.
CBI Market Intelligence

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