What trends offer opportunities or pose threats in the European cocoa market?

Last updated:
22 April 2025

The cocoa industry is experiencing a significant shift towards sustainability, driven by consumer demand and European legislation. Although stricter requirements bring challenges, they also create opportunities for the market growth of sustainable practices. Cocoa trading companies are adapting with sustainability programmes to respond to European consumers' increasing interest in the contexts of production and the impacts of their purchases. This trend encourages innovation and sustainable production and creates a more equal baseline for companies that are socially and environmentally responsible.

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1. Mandatory sustainability regulations take centre stage

Sustainability standards are shifting from voluntary company standards to mandatory requirements that are set by legislation. This is becoming the new norm, which is transforming the cocoa sector. This shift establishes an equal baseline that prioritises human rights and environmental preservation. With the new rules, companies must re-organise themselves to take responsibility for the safety of the planet and people. Companies also need to make sure that smallholder farmers earn a living wage, which makes it essential to address poverty. Although some companies are worried about possible disruptions to their businesses and their value chains, the future of the cocoa sector will depend on how they adapt to the new standards. It has also become necessary for regulators to provide clear guidelines and engage with stakeholders to make sure these regulations are effective.

Europe leads the mandatory sustainability regulations

The European Union (EU) leads the way in mandatory sustainability regulations. This new set of tools and legislation is part of the European Green Deal (EGD) to make Europe climate-neutral by 2050. The EGD will impact trade within the EU and imports to the EU – mainly by introducing stricter environmental and sustainability standards and adding requirements for export companies from developing countries. One of the policy areas of the Green Deal is the Farm-to-Fork strategy. This strategy aims to create a healthier and more sustainable food system, with the ambitious goal of a 50% reduction in the use of pesticides by 2030. As part of this strategy, the EU is trying to enforce environmentally friendly pest control practices. Two main regulations that are driving the transformation around sustainability in the cocoa sector are the EU Regulation on Deforestation-free Products (EUDR) and the Corporate Sustainability Due Diligence Directive (CSDDD).

EU Regulation on Deforestation-free Products (EUDR)

The EUDR was officially adopted and entered into force on 29 June 2023. It has 3 main goals:

1. Stop products linked to deforestation from being sold in the EU.
2. Reduce greenhouse gas emissions caused by deforestation by only allowing imports of deforestation-free products into Europe, aiming for a yearly reduction of at least 32 million metric tonnes of carbon. This amount of carbon is similar to the emissions from 25 million cars, or the energy used by 4 million homes.
3. Prevent global biodiversity loss.

The regulation bans imports of cocoa products into the European Union (EU) from land that was deforested after 31 December 2020. Companies that import cocoa into the EU need to make sure their products did not contribute to deforestation. Companies must also provide data on the geolocation and legality of where their cocoa was grown.

Table 1 presents relevant cocoa products that must meet the EUDR.

Table 1: Relevant cocoa products that must meet the EU Deforestation Free Regulation (EUDR)

HS Code	Product Description
1801	Cocoa beans, whole or broken, raw or roasted
1802	Cocoa shells, husks, skins and other cocoa waste
1803	Cocoa paste, defatted or not defatted
1804	Cocoa butter, fat and oil
1805	Cocoa powder, not containing added sugar or sweeteners
1806	Chocolate and other food preparations containing cocoa

The EUDR will apply as of 30 December 2025 for large operators and 30 June 2026 for small and micro businesses. Large operators are companies with 250+ employees and over €50 million in annual turnover. Small businesses have fewer than 50 employees and an annual turnover below €10 million. Micro businesses typically have fewer than 10 employees and an annual turnover below €2 million.

The new timeline aims to ensure clear rules, stability and enough time for businesses to smoothly follow the regulation. It gives time for EU and non-EU countries, operators and traders to be fully prepared for their due diligence obligations. These obligations include making sure that certain products sold in or exported to the EU are deforestation-free.

Importers must carry out due diligence to make sure their supply chains are deforestation-free and legal in their country of origin. This includes:

- traceability to the source (e.g. farm or plantation);
- compliance with land-use laws in the country of origin;
- risk assessments and mitigation procedures.

Small traders are mainly responsible for keeping traceability and providing relevant documentation to authorities upon request.

In the meantime, national cocoa industries have already started finding ways to comply with this regulation. For instance, the Peruvian cocoa industry has already begun adapting to new regulations. To support Peru's efforts, Solidaridad coordinates innovative pilot programmes while working with its partners to preserve forests and support small-scale cocoa producers. In addition, Ghana and the Ivory Coast, the two major exporters of cocoa beans, are setting up nationwide strategies to keep track of deforestation and support farmers in complying with the rules. Ghana, for instance, has started piloting a programme to track cocoa beans to farms in preparation for the EUDR. The Ivory Coast government has taken steps to address challenges through policies like a zero deforestation strategy and the Cocoa & Forests Initiative. Furthermore, the World Cocoa Foundation (WCF) has introduced a standardised deforestation risk assessment for its members. This risk assessment provides a standardised way for companies to assess the deforestation risk of all cocoa-producing land areas intended for the EU market, to make sure they comply with the EUDR.

The Corporate Sustainability Due Diligence Directive (CSDDD)

On 24 April 2024, the European Parliament adopted the Corporate Sustainability Due Diligence Directive (CSDDD). This is a new regulation aimed at improving corporate accountability for human rights and environmental impact across global value chains. It entered into force on 25 July 2024. As noted earlier, the CSDDD is also part of the European Union's wider strategy to encourage sustainable and responsible business practices, in line with the European Green Deal and the UN Sustainable Development Goals.

The CSDDD sets common sustainability standards for all EU member states. These standards apply to both EU-based companies and non-EU companies that operate within the EU market. EU member states have two years to put the directive into national law, to give time to adapt to local contexts while keeping EU-wide standards.

The directive requires companies to actively check and manage the impact they have on human rights and the environment. It applies to all parts of their business and supply chains, making sure they prevent, address and report any negative effects they may cause. This also means they must establish strong processes to identify, prevent and lessen negative impacts in their operations and supply chains. In doing this, their responsibility goes beyond their immediate operations.

The CSDDD will be phased in over a longer period. Companies with 5,000 employees and €1,500 million turnover will be impacted in 3 years. Companies with 3,000 employees and €900 million turnover will be impacted in 4 years. Companies with 1,000 employees and €450 million turnover will be impacted in 5 years.

The European Cocoa Association (ECA) and the European Chocolate, Biscuit and Confectionery Industry Association (CAOBISCO) members support both the EUDR and the CSDDD. There are several other international initiatives for the cocoa sector, such as the International Cocoa Initiative and the Cocoa and Forests Initiative. These are platforms against deforestation set up by the industry, donors and governments like Ghana and the Ivory Coast. In addition, initiatives like the Living Income Differential (LID) have been implemented in the Ivory Coast and Ghana. The LID is a premium of $400 per tonne that is added to cocoa prices by the Ivory Coast and Ghana to help cocoa farmers earn a better income to cover their basic needs. It is a governmental initiative that aims to make cocoa farming more sustainable by making sure that farmers receive fairer payments for their work.

The LID initiative also boosts collaborations between cocoa-producing countries, cocoa traders and chocolate manufacturers to consider the price of cocoa as the determining factor of sustainability, to then implement a pricing structure that benefits cocoa farmers. Other initiatives on this topic include the Living Income Summit in 2022, hosted by the Sustainable Trade Initiative (IDH) in partnership with the Living Income Community of Practice, the Living Income Roadmap Steering Committee and the Business Commission of Tackling Inequality. Nestlé also rolled out an income accelerator programme to improve the livelihoods of cocoa-farming families and support the transition to more sustainable cocoa farming in the Ivory Coast. The programme was extended to Ghana in 2024 with the ambition of making better practices possible for 160,000 families by 2030.

For cocoa exporters to the EU to comply with the CSDDD, they need to create clear rules and guidelines or codes of conduct for their operations that focus on:

- business ethics;
- social responsibility, including fair treatment of workers and farmers and ensuring living incomes;
- environmental responsibility, addressing issues such as carbon neutrality, biodiversity preservation and the prevention of deforestation.

Codes of conduct like this will act as guiding principles for business operations and will be important so that companies can show that they are following the CSDDD requirements. When the CSDDD comes into force, it is expected to significantly influence global supply chains and business practices by encouraging a more sustainable and equal approach to international trade and corporate operations.

Tips:

Check the World Cocoa Foundation website to stay up to date on the main sustainability issues in the cocoa sector, as well as the main initiatives targeting those issues. Also read this article by Fern and Mighty Earth which addresses some of the current myths about the EUDR.

Think about developing and implementing your own corporate social responsibility (CSR) policy or code of conduct. This may help you stand out if your possible buyer has to choose between several suppliers. Some good examples are Nahua (Costa Rica), CABRUCA (Brazil) andIngemann (Nicaragua).

Access the tools and guides of the Accountability Framework, for instance on how to use existing reporting systems to report on your own commitments.

Check out these reports to learn more about the European Due Diligence Act, how the EU Green Deal will impact your cocoa business,Tips to go green, Tips to become more socially responsible in the cocoa sector and Buyer requirements for cocoa.

Support training for cocoa producers you work with, to help them implement sustainable practices. This is because many social and environmental issues take place at the farm level, which may not be a part of direct handling and processing activities. You can use the World Cocoa Foundation's Climate-Smart Agriculture Training Manual as a guide.

Follow the European Commission news to get updates about EUDR and other regulations that may impact your export business.

2. Sustainability programmes are commonplace in the private sector

The demand for sustainably produced cocoa and chocolate has led many people within the value and supply chain to set up their own sustainability programmes over the years. These include importers, processors, chocolate makers, retailers and governments. These programmes include specific standards for sustainable actions and traceability, which are customised to fit their supply chains and corporate goals.

The wide range of initiatives shows how complicated sustainability is in the cocoa industry and highlights different ways that companies work toward it. Producers must meet the required standards set by their buyers, which may differ depending on how strictly they are enforced.

Firstly, certifications like Fairtrade, Rainforest Alliance and organic became popular. These third-party programmes provide consistent sustainability benchmarks and let businesses stand out in the market, meet consumer expectations and address environmental and social issues in ways that fit with their operations.

Secondly, chocolate companies are focusing more on sustainability through their own sustainability programmes. Some examples of corporate sustainability programmes are:

- Nestlé: Nestlé Cocoa Plan
- Mars: Sustainable in a Generation Plan
- Ferrero: Corporate Social Responsibility
- Mondelez: Cocoa Life
- Cargill: Cocoa Promise
- Barry Callebaut: Forever Chocolate
- Lindt & Sprüngli: The Farming Program
- Olam: Cocoa Compass
- Puratos: Cocoa-Trace

Retailers are also sharing their sustainability concerns and requirements in their codes of conduct: see the sustainability webpages of REWE (Germany), Ahold Delhaize (Netherlands) and Carrefour (France) for examples and the Retailer Cocoa Collaboration efforts to encourage environmental and social improvements in the sector.

Multi-stakeholder initiatives have also been set up in several European countries to address sustainability challenges in the cocoa sector. These platforms bring together various stakeholders in a joint effort to tackle issues such as transparency, living income, deforestation and child labour. Examples include the Swiss Platform for Sustainable Cocoa.

- German Initiative on Sustainable Cocoa
- Dutch Initiative for Sustainable Cocoa (DISCO)
- French Sustainable Cocoa Initiative
- Belgian partnership for sustainable cocoa Beyond Chocolate

Beyond Chocolate partners have pledged to ensure that all farmers in their supply chain achieve a living income by 2030. They have developed a roadmap to achieve this for Belgian chocolate makers. They also set the target that 100% of the chocolate produced or sold in Belgium by 2025 should meet certification standards and/or corporate sustainability programmes.

The purchasing policies of governments in Western Europe consistently focus on sustainability when purchasing products like cocoa and chocolate. The Dutch government, for instance, has set sustainable purchasing guidelines, also for cocoa. All Dutch public agencies have started implementing these guidelines. They include conditions for their public tenders.

All these commitments and programmes show that companies and governments recognise the need to achieve a more sustainable cocoa sector. In the future, the focus on and importance of sustainability for companies in the cocoa sector will only increase and become more intensive. The focus on issues such as biodiversity and living incomes will only become bigger.

Tips:

- Before joining any certification programme, check with your possible buyers whether this certification is required. You could discuss with them if there are any possibilities to receive assistance in getting your certifications.
- Assess whether you will benefit from switching to sustainable production by using the Cocoa Farm Development Plan from the international standards for sustainable and traceable cocoa production.
- Research the current sustainability standards in the European market by contacting cocoa importers, supermarket chocolate category managers and sector specialists. Following the guidelines set by these standards can be a good starting point if you want to supply cocoa beans to these companies.
- Check ICCO's website for a complete overview of all past and present cocoa sustainability initiatives.

3. EU regulation on cadmium continues to impact the industry

Cadmium is found naturally in the soil. However, pesticides and chemical fertilisers containing cadmium are also sources of contamination. Cadmium is a problem for cocoa in some Latin American countries. These countries suffer from high soil contamination from volcanic activity, forest fires and other factors. Human consumption of high levels of cadmium is mainly toxic to the kidneys, so it is a serious concern for consumers' health.

The European Union has strengthened its regulation on cadmium in chocolate and derived products. In April 2023, the EU replaced the regulation (EC) No. 1881/2006 on the maximum levels for certain contaminants with Regulation (EU) 2023/915 on the maximum levels of cadmium in certain food. The regulation was updated to simplify and combine changes made over the years to contaminant limits in food.

A maximum level of 0.6 or 0.8 mg/kg of cadmium per kilogram of peeled cocoa beans may be safe. Cadmium contamination mainly affects cocoa powder, as it is more concentrated in the solid parts of the cocoa bean rather than the fatty components. Therefore, some buyers reject cocoa beans that go over the limit of 0.3 mg/kg, particularly for cocoa powder production. Although the main concern is for cocoa powder, high cadmium levels in both cocoa butter and cocoa powder can make the product less marketable and affect the chocolate-making process. Even though cocoa butter tends to contain less cadmium, high levels can still bring challenges for chocolate manufacturers. If cadmium levels in cocoa butter are high, it could possibly impact the safety and quality of the chocolate, making it harder to meet regulatory standards. To comply with European regulations, cocoa beans with 0.3 mg/kg of cadmium result in cake or powder with a concentration of 0.6 mg/kg, which is the allowed limit (see Table 2).

Table 2: EU regulations on maximum allowed limits of cadmium in cocoa products

Product Description	Maximum level (mg/kg wet weight)
Milk chocolate with <30% total dry cocoa solids	0.10
Chocolate with <50% total dry cocoa solids; milk chocolate with ≥30% total dry cocoa solids	0.30

Chocolate with ≥50% total dry cocoa solids	0.80
Cocoa powder sold to the final consumer or as an ingredient in sweetened cocoa powder sold to the final consumer (drinking chocolate)	0.60

Small-scale farmers, cooperatives and specialised exporters of cocoa beans and cocoa powder in South America are most affected by this issue. Cocoa from this region is known for its fine flavour. However, farmers in these areas face the challenge of low producer prices and rising costs of laboratory tests, and implementing measures to avoid high cadmium levels can be expensive.

Here are a few things cooperatives and farmers can do to reduce cadmium levels:

1. Understand cadmium levels. Farmers should know how much cadmium is in their cocoa beans and try to mix or blend these beans, especially at the cooperative level, to lower the overall cadmium content and make it safe.
2. Check peeled beans. It is important to test the cadmium levels in the peeled beans, which are used to make the final product that needs to meet regulations. Cadmium is usually higher in the shell than in the nibs.
3. Improve soil conditions. Farmers can change the soil by reducing its acidity, by liming and adding organic materials like compost, manure or special charcoal made from plants (called biochar). These practices help make the soil healthier and potentially reduce cadmium absorption by cocoa plants.
4. Adjust to local conditions. The best ways to reduce cadmium depend on the specific soil conditions, the availability of materials and their cost in each location. The goal is to keep cadmium stuck in the soil or limit how much the plants absorb. It is also important to improve soil health and cocoa tree productivity.
5. Use low-cadmium cocoa plant varieties. Some types of cocoa beans have naturally lower levels of cadmium. Farmers can choose these varieties for breeding programmes or as rootstock when grafting. Although it may take time to see results, starting these practices now is important.

Remember, there is no one-size-fit-all solution. It is necessary to adapt these practices to the local environment and conditions.

Tips:

Be ready to provide your buyer with a laboratory analysis of the cadmium levels in your cocoa beans, if they request this. This analysis should be done by an accredited laboratory. It will probably be repeated by your direct buyer. All stakeholders in the industry, including importers and chocolate makers, are implementing strict actions to comply with the new maximum levels of cadmium in food products.

Familiarise yourself with the requirements for methods of sampling and analysis for the official control of cadmium and other heavy metals. This will help to make sure you comply.

Access the online Choco SAFE tool, created by the Alliance of Bioversity International and International Center for Tropical Agriculture (CIAT), to calculate the safe EU limit for cadmium in different cocoa and chocolate products. Activate the language translate add-on in your browser to translate it to your chosen language.

4. Demand for craft chocolate on the rise

The global demand for craft chocolate is expected to keep rising. Europe plays an important role in the global craft chocolate market, with an expected major growth of about 9% for 2024-2034. It is experiencing strong growth, especially in regions like Belgium and France. Craft chocolate comes in various types, each with unique flavours and characteristics. Consumers in Europe are shifting towards craft chocolate products like single-origin and bean-to-bar chocolates.

Single-origin chocolate

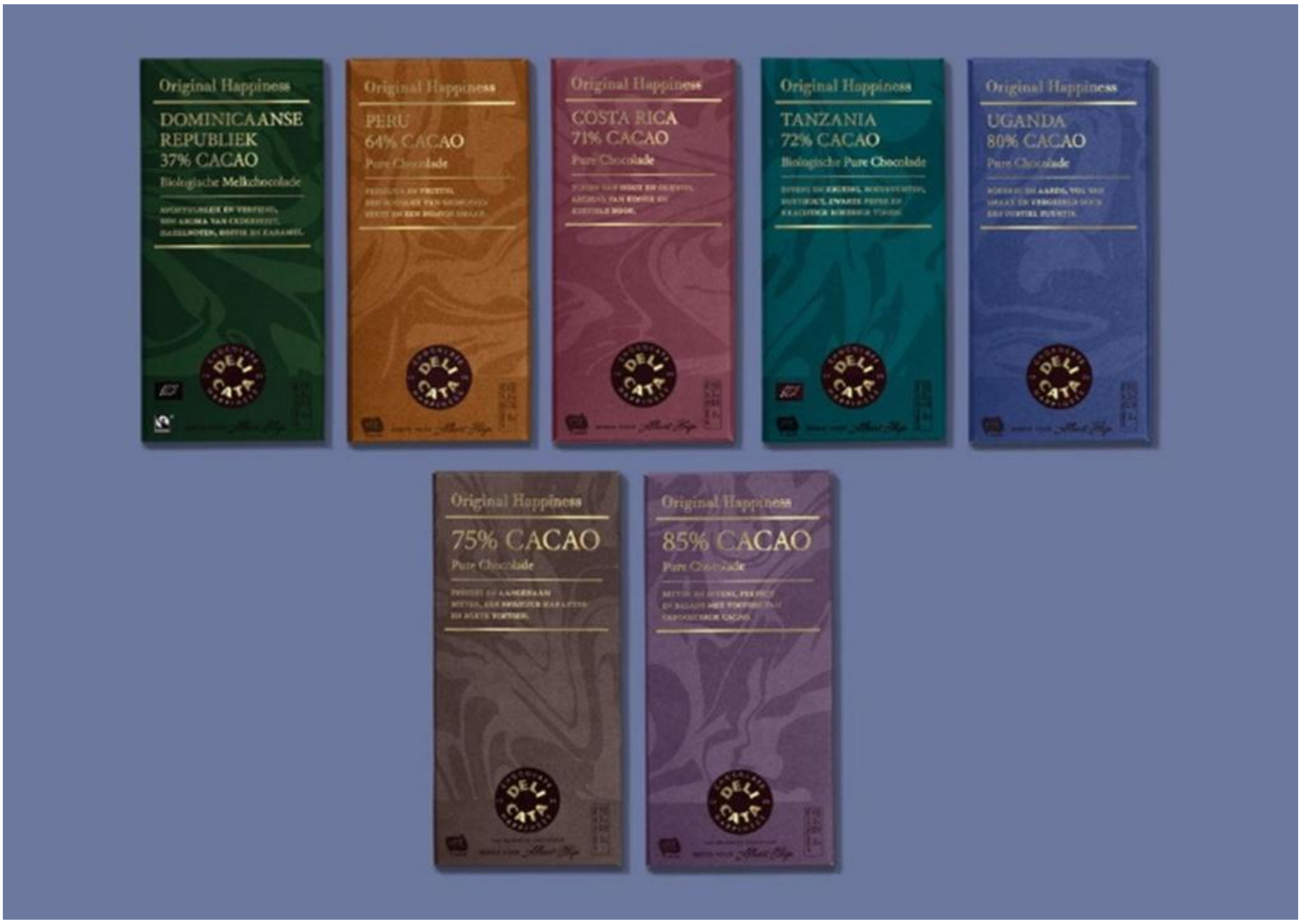
Consumer interest in the origins and quality of chocolate ingredients is driving this trend, with single-origin chocolates becoming increasingly popular for their unique flavour profiles. The chocolate flavours may be unique to the origin based on variety (e.g. fine flavour cocoa types), agricultural and climate factors and post-harvest handling techniques. Consumers have become increasingly interested in the agricultural and climate, environmental and social features of production areas. As consumers have increasing sustainability concerns, they want to know the stories of producers and their communities.

For example, people want to hear stories about how production is done in a way that improves social and environmental sustainability. This makes them want to buy these types of chocolate to show their support for socially and environmentally responsible actions. They also want to be able to trace their chocolate to its origin, and this ties in with traceability concerns within sustainability. 75% of consumers believe that single-origin chocolate is more premium and more sustainable than standard chocolate. Additionally, 63%of consumers think that chocolate from specific regions is seen as more premium compared to others. So, single-origin chocolate is increasingly becoming common in mainstream segments.

For instance, retailers have started to offer a wide range of single-origin private-label chocolates, like the Dutch Albert Heijn's private-label brand Delicata. Delicata offers chocolates from Uganda, Peru, Costa Rica and Tanzania. There is also the L'origine du goût chocolate collection from retailer E-Leclerc (France), made from Nicaraguan single-origin cocoa. In the UK, Waitrose offers a line of single-origin chocolates from Ecuador, the Dominican Republic and Peru under its No. 1 collection.

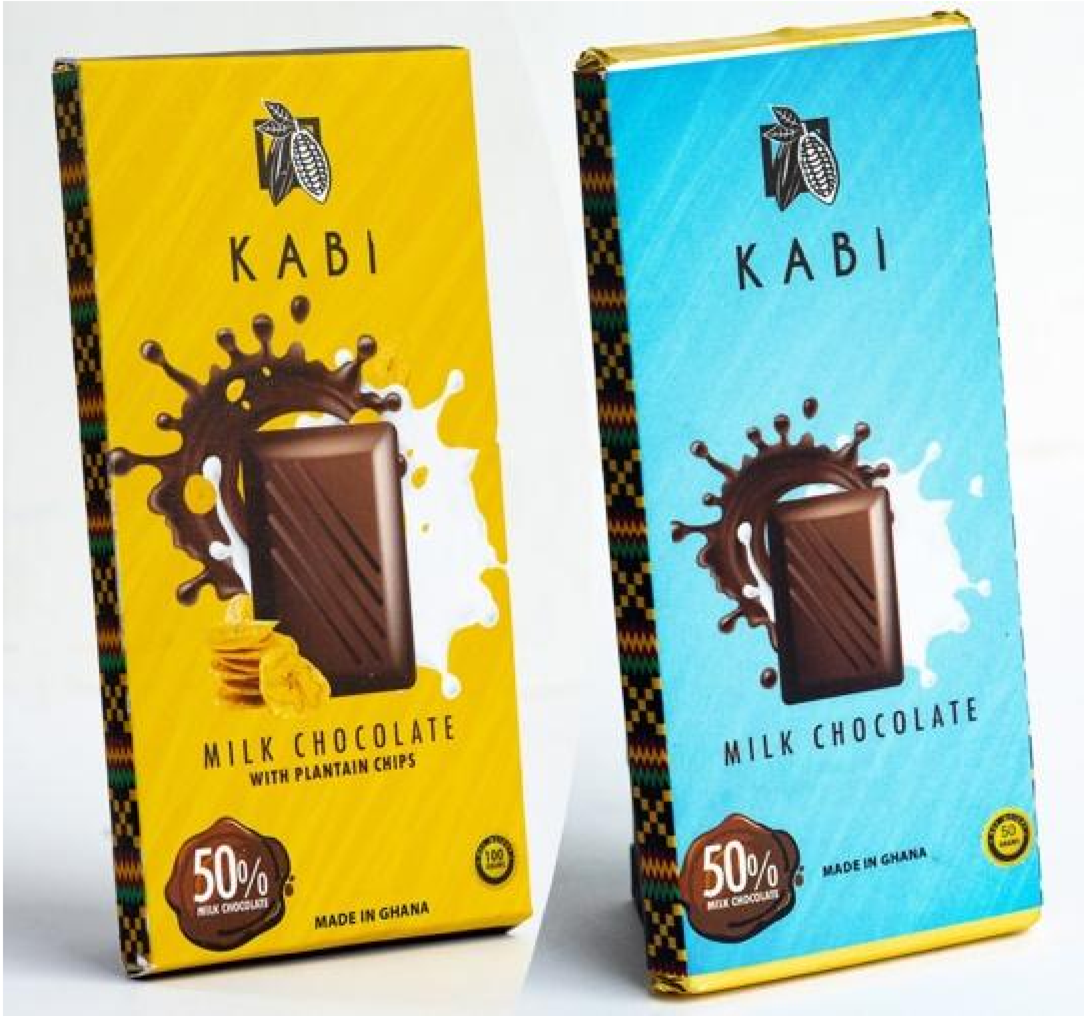
Valrhona Inc., a well-known French chocolate producer, has been sourcing cocoa beans only from the Maria Trinidad Sanchez estate (Dominican Republic). This approach ensures consistent flavour and quality for their chocolate products. Chocolate brands offering single-origin bars include Blanxart (Spain), Willie's Cacao (United Kingdom), Original Beans (the Netherlands) and Domori (Italy).

Figure 1: Single-origin bars from private label brand Delicata (Netherlands)



Source: Dieline

Figure 2. Single-origin bars from private label brand Kabi chocolate (Ghana)



Source: Amonarmah Consults

The widespread offer of single-origin chocolate is making high-end brands increasingly look for other ways to make their products stand out. These brands focus on more specific origin products. Single-origin products consist of three types: single-country, single-region and single-estate (Figure 2).

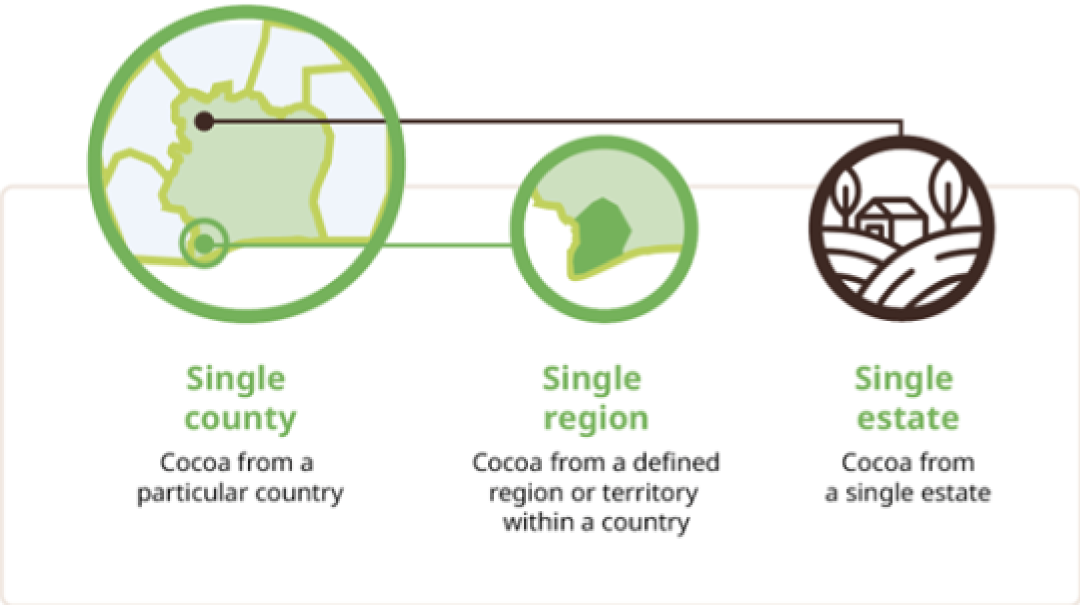
Single-country chocolate is made using cocoa grown within a specific country. Various factors influence the characteristics of single-country chocolate, including genetics, land conditions and post-harvest processes like fermentation and drying. To the consumer, this type of chocolate represents the flavour and essence of the country where it is produced.

Single-estate chocolate focuses on expressing the flavour of a specific farm instead of the whole country. This classification not only represents the land where the cocoa is grown but also that particular farm's effort and characteristics. Single-estate chocolate reflects the farmer's own unique essence and personality and the farm's work culture, lifestyle and initiatives, representing the entire family behind it.

Single-estate chocolate makers like Cluizel aim to showcase the special flavours and qualities of a cocoa farm by carefully preserving and enhancing the cocoa's aromas and characteristics. They achieve this by keeping a close and regular partnership with the farmers to get the finest cocoa beans to craft their chocolate. This close collaboration also provides them with valuable insights into the farmers' culture and traditions. Another example is the single-estate chocolate line lukerchocolate. One single-estate cocoa exporter is Hacienda Victoria (Ecuador).

The term 'single-origin' or 'single-estate' chocolate doesn't always mean the chocolate is made in the country where the cocoa beans come from. Often, chocolate companies buy beans from farmers in different countries and make the chocolate in places like Europe. But there are some special cases of high-quality local production, like Pacari (raw chocolate made in Ecuador) and Marou (chocolate bars made in Vietnam).

Figure 3: Types of single-origin sources



Source: Amonarmah Consults

The importance of single-origin and single-estate chocolate on the European market increasingly requires cocoa exporters to know the characteristics of their cocoa. It also requires sharing stories about the production context and providing assurance of their cocoa's origin.

Tips:

- Explore the possibility of adding value to your product. Do this by specifying the characteristics of the cocoa beans grown in your area or on your farm (single-estate cocoa). These characteristics can be related to the product's characteristics (taste, aroma, etc.), the farmers' profile, production and post-harvest methods or interesting things about the surrounding nature and community. It will make your product more attractive to cocoa buyers. This is especially the case for buyers interested in high-quality and unique cocoa.
- Explore the possibility of getting legally protected geographical indications (GIs) for your specific cocoa varieties. This can be an important element in your storytelling. Read the frequently asked questions on GIs on the World Intellectual Property Organization (WIPO) website, where you can find answers on applying for GI protection.
- Know about and maintain the genetics of your cocoa trees. This distinguishes your unique flavour profile if you want to partner with or sell your cocoa beans to single-origin chocolate makers. Learn more about harvesting and post-harvest management to improve and set apart your cocoa bean quality. Harvesting at the right time – not too late and not too soon – improves cocoa bean quality.

Link up with research institutions near you if you are a cocoa farmer or cooperative. They can help you identify the varieties of cocoa trees on your farm. Some cocoa research institutes are CRIG (Ghana), CRIN (Nigeria), ICCRI (Indonesia) and UWICRC (Trinidad and Tobago). Cocoa varieties, production practices and conditions affect the quality and flavour of your cocoa beans.

Investigate whether you qualify for industry awards, such as the International Cocoa Awards (ICA) or the Cocoa of Excellence. This can be an interesting way to set yourself apart on the European market for fine flavour cocoa. ICA rewards the flavour, quality and diversity of different origins.

Bean-to-bar chocolate

The demand for bean-to-bar chocolate is also increasing in Europe. Bean-to-bar chocolate means that the chocolate maker controls every step of the production process. It includes all steps, from buying the cocoa beans to creating the chocolate bar. There are many European companies that make bean-to-bar and single-origin chocolate products, often using fine flavour cocoa beans. Here, you can find a list of bean-to-bar producers worldwide.

Although some bean-to-bar makers also work with commercial-quality cocoa, most focus on high-quality cocoa. For cocoa producers, the bean-to-bar concept involves different methods of production, packaging and direct shipping or sales to high-end outlets. Bean-to-bar makes it possible for a small number of producers to add significant amounts of value to their cocoa production. This value addition for cocoa producers is mainly done through quality branding and packaging, and by offering superior cocoa qualities.

These high-quality products are mainly sold through specialised channels, such as the web shops Chocoladeverkopers (Netherlands), True Chox (Germany) and Cocoa Runners (UK) or the web shops of bean-to-bar makers themselves. Specialised chocolate shops like The Chocolate Shop and Chocolátl (Netherlands) and organic supermarkets also have some bean-to-bar products in their assortment, like Planet Organic (UK).

There is little effort to promote bean-to-bar products (under private labels) in mainstream retail channels. For instance, Willie's Cacao in the UK is one of the very few bean-to-bar products in the mainstream retail channels, available at Waitrose supermarkets. If the the bean-to-bar offer at supermarkets increased, this would likely increase sales of this product category in Europe. Leading bean-to-bar players in Europe include Georgia Ramon (Germany), Heinde & Verre (Netherlands), Domori (Italy) and Zotter (Austria). For an overview of bean-to-bar producers, check the bean-to-bar website.

Next to bean-to-bar chocolate, there are new trends on the rise: farm-to-bar chocolate and tree-to-bar chocolate. Farm-to-bar refers to the direct connection between the cocoa farm and the chocolate bar. Cocoa beans are sourced directly from the farmers or specific farms, ensuring fair trade practices. Farm-to-bar chocolate makers aim to have sustainable relationships with cocoa farmers, support local communities and encourage social and environmental responsibility throughout the supply chain. Paul and Mike chocolate produces farm-to-bar chocolate in India.

Tree-to-bar is different from bean-to-bar, as bean-to-bar makers are not necessarily located in cocoa-producing countries. All tree-to-bar chocolate makers have complete control over how their cocoa beans are grown and processed. This means that tree-to-bar companies tend to focus on transparency and traceability along the chain. Cacaoteca is a tree-to-bar chocolate maker from the Dominican Republic.

Tips:

Read this blog entry about the market and craft (bean-to-bar) chocolate makers to learn more about trends and dynamics within this segment.

Read this article to learn more about the differences between bean-to-bar, farm-to-bar and tree-to-bar chocolate.

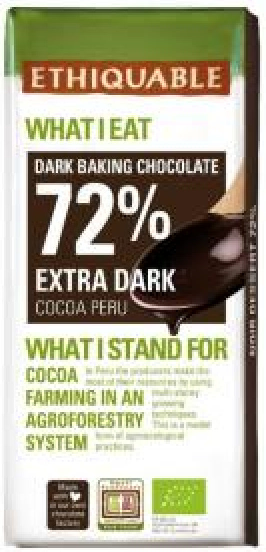
Learn more about craft chocolate makers around the world.

5. Storytelling increasingly important on the cocoa and chocolate market

Consumers continue to look for storytelling about the cocoa origin of craft chocolate. They want to know the story behind a product: 59% of European consumers consider chocolate with a unique story to be more premium. They want to know where it comes from and how it is made. Barry Callebaut's Proprietary Consumer Research for 2024 and beyond chocolate trends shows that 63% of Western European consumers and 74% Eastern European consumers want to know more about where their chocolate confectionery comes from and what is in it.

Consumers continue to look for unique and new chocolate experiences to break away from their usual routines. They are therefore not only interested in wonderful flavours that taste good, but also want to satisfy their curiosity and sense of adventure as they taste the chocolate. This trend is also closely associated with an increasing focus on the cocoa's source, as well as principles of transparency and traceability. The chocolate brands Ethiquable and Tony's chocolonely are taking advantage of these consumer motivations by using their packaging to tell the story of the cocoa producers and cooperatives and the cocoa's origin.

Figure 4: Ethiquable: storytelling for a chocolate bar in the European market



Source: Ethiquable

Generally, a good story helps you market your product to cocoa traders. Cocoa importers and chocolate makers will use your stories in their communication with their consumers. By telling an appealing story, they can connect consumers to the cocoa's origin and producers. This adds value to the final chocolate product.

Make sure you share your stories with a larger audience. For instance, share them through social media and/or your website. When talking about your mission and the history of the farm or cooperative, give the story a face. You can do this by providing good-quality photos of the plantations, the farmers and their families.

Exporting companies that share appealing stories about their company and history include Kokoa Kamilia (Tanzania), Lukerchocolate (Colombia), Esco Kivu (DR Congo) and Ingemann (Nicaragua).

Tips:

- Develop and communicate your unique selling points as a supplier of cocoa beans. Think about factors that set you apart from your competitors and create your marketing story around these factors. For example, they can be related to the origin of your cocoa beans, the agricultural and climate characteristics of the producing region, the culture of the producing communities, the unique quality of your product, your post-harvest techniques or a combination of these aspects.
- Never make claims that you cannot support, for instance about the quality or production volumes of your cocoa.
- Check out the website of the speciality cocoa importer Uncommon Cacao and see how they tell their story about the cocoa producers they buy from.
- Refer to our study on Going digital in the cocoa sector to find tips on how to increase your market attractiveness and storytelling through digital experiences.
- Download full report Barry Callebaut's Proprietary Consumer Research for 2024 and beyond chocolate trends, which will be sent to your email address.

6. Health and wellness increasingly influence chocolate consumers

The demand for high-quality cocoa is boosted by a growing consumer interest in healthy and mindful consumption. European consumers are increasingly concerned about the impact of food on their health and wellness. The COVID-19 pandemic made consumers even more conscious about quality and health. This drives up the demand for healthy and organic chocolate brands. This increasing demand is expected to continue.

People consume chocolate because of its properties that affect their physical health. For instance, flavonoids in cocoa are associated with health benefits such as lower blood pressure, improved blood vessel health and lower cholesterol levels. Some chocolate brands are also adding extra flavonoids to their chocolate bars and cocoa powder to increase the health benefits, specifically to improve brain and cardio performance.

The higher the percentage of cocoa in chocolate, the higher the levels of flavonoids in the chocolate. Flavonoids are therefore high in dark chocolate. Their health benefits have made dark chocolate popular worldwide. One chocolate brand that highlights the health benefits of cocoa on its labels is The Good Chocolate Company from Belgium.

Apart from having appealing chocolate with high levels of flavonoids, people are becoming more interested in chocolate without sugar and dairy, which is healthier. The concept of reducing sugar in food products has also become well-established. Barry Callebaut's Proprietary Consumer Research for 2024 and beyond chocolate trends reports that 41% of consumers worldwide are trying to limit their sugar intake, and 14% are avoiding sugar entirely. Also, 72% of Western European and 81% of Eastern European consumers would love to find tasty milk chocolate with more cocoa and less sugar. Furthermore, 64% of Western European and 68% of Eastern European consumers think that 'less sugar' or 'no-sugar' chocolate confectionery is interesting.

Therefore, there is a growing demand for sugar-free chocolate bars and chocolate confectioneries. The sugar-free chocolate market has a projected compound annual growth rate (CAGR) of 5.40% between 2024 and 2032. Chocolate makers Stella Bernrain (Switzerland) and Klingele Chocolade (Belgium) offer chocolate products without added sugar. Some big companies also offer chocolate products with alternative sweeteners.

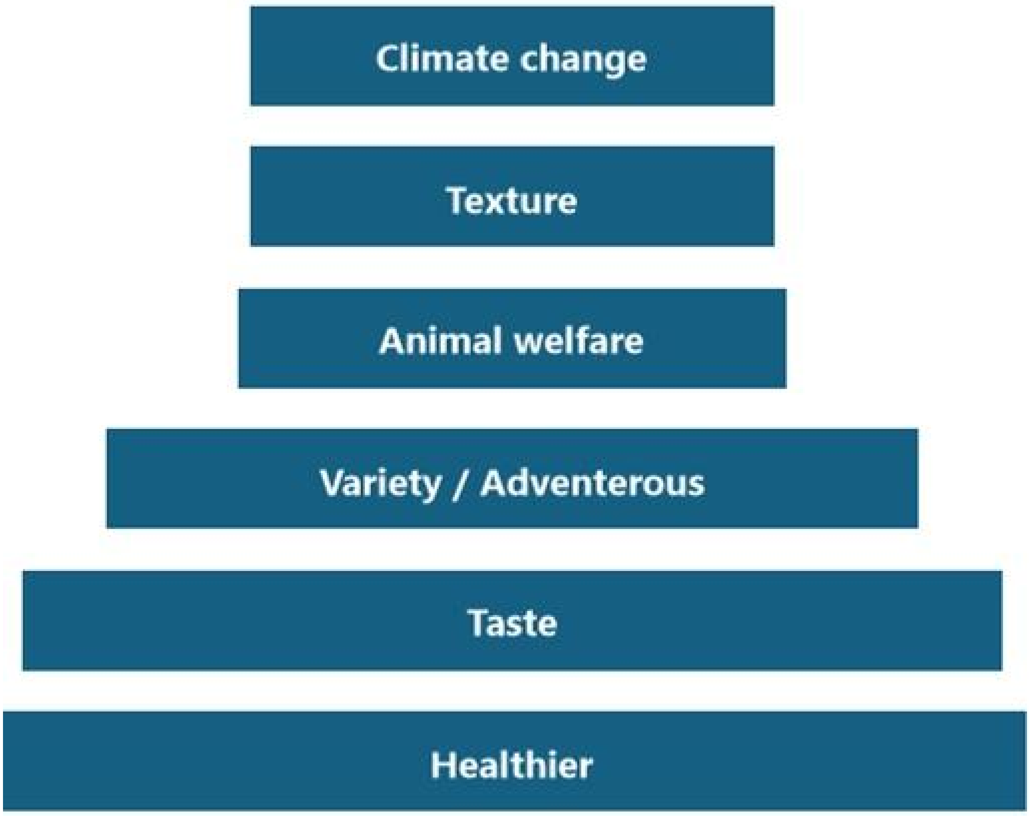
Moreover, in response to consumer health concerns about artificial sweeteners, more products are being developed that contain additional ingredients from the cocoa fruit to reduce the use of artificial sweeteners in chocolate. For instance, Nestlé has created chocolate with sugars derived from cocoa pulp. The pulp usually goes to waste on the cocoa farm when the beans are fermented. Cooperatives and farmers can look for supply partnerships with chocolate processors in their location who are interested in cocoa pulp as a natural sweetener. This can also bring additional income for the farmer.

There is also a major trend towards plant-based alternatives to limit the use of artificial sweeteners and flavourings. The chocolate industry is increasingly adding natural ingredients to its chocolate products. Real fruit, vegetables or nuts are added to cocoa products as these are seen as healthy by consumers. Chocolate with various textures and flavours is seen by 59% of European consumers as being more premium in quality.

The product line Côte d'Or includes chocolate bars that contain banana, orange, cranberries, almonds and pecan nuts. The Paul and Mike chocolate company also uses only natural and real fruits, nuts, spices and pure floral distillates in their products. Other brands are adding more exotic ingredients to their chocolate products: Lovechock (Netherlands) has a chocolate bar with baobab fruit.

Plant-based chocolate may not necessarily be free of animal products like dairy. For instance, Barry Callebaut’s research states that 48% of Western European and 51% of Eastern European consumers think that every chocolate confectionery brand should have a plant-based, vegan or dairy-free option. Also, 35% of Western European and 32% of Eastern European consumers agree that dairy-free chocolate confectionery is better for their health than chocolate with dairy. Key motivations to eat plant-based confectionery include health, taste and adventure (see Figure 5).

Figure 5: Key motivations to eat plant-based chocolate confectionery



Source: Barry Callebaut, 2023.

Vegan chocolate is also growing in popularity because of dairy allergies, lactose intolerance or consumers choosing a vegan lifestyle. Big chocolate manufacturers have increasingly been offering vegan products in recent years. For instance, in 2022, Lindt & Sprüngli expanded their dairy-free chocolate range. Nestlé introduced a vegan KitKat in the United Kingdom in 2021. There is also an increasing demand for extra-protein chocolate.

Apart from dark chocolate and sugar- or lactose-free chocolate, there is also more interest in cocoa nibs. The global cocoa nib market was valued at USD 1.5 billion in 2023 and is expected to grow to USD 2.9 billion by 2032, with a projected compound annual growth rate (CAGR) of 7.90% from 2024 to 2032. This growth is driven by rising consumer health awareness worldwide about the superfood benefits of cocoa nibs, like high nutritional value and rich flavour. For example, cocoa nibs contain micronutrients like magnesium, which plays an essential role in supporting hundreds of chemical reactions in the human body and helps fight against diseases like type-2 diabetes, high blood pressure, inflammation and migraines.

Cocoa nibs are increasingly being used in a variety of products, including frozen desserts, smoothies, oatmeal and toppings. Bakery manufacturers also mix cocoa nibs into bread and muffins. Food and beverage manufacturers use them in snacks, sauces, spreads, flavoured milk, lattes and cappuccinos.

Apart from physical health benefits, people also eat cocoa for their mental health. Nowadays, many people care about how specific foods affect their brain function in terms of their cognitive or mental health. Chocolate is one of the foods that contains a combination of proteins and fats that are shown to boost serotonin and dopamine levels in our brains.

The levels of serotonin and dopamine in the brain contribute to a sense of happiness and well-being. Cocoa beans contain natural stimulants like caffeine and theobromine, which provide an energy boost. The awareness of these potential cognitive and emotional effects reflects a growing trend in mindful consumption.

Lastly, consumers are increasingly interested in organic products as healthier options. About 55% of Western European and 61% of Eastern European consumers are interested in purchasing organic chocolate confectionery. Organic options are now available not only among well-established, well-known brands, but they also come from small, independent producers. This trend has steadily become more popular over the years. Retailers are also recognising the value of the organic label and its possible appeal to customers. One leading organic chocolate brand is the UK's Green&Black, where 'green' means organic and 'black' represents dark chocolate.

Tips:

- To learn more about why chocolate is seen as a healthy food, read this article in Vox.
- Offer different types of chocolate using special healthy ingredients with unique branding. This will give your chocolate company a chance to stand out. Instead of just competing on price, you can meet people's desires for options with additional health benefits.
- Introduce a 'simple' line of organic chocolates that only features organically sourced ingredients, from cocoa and nuts to all other ingredients. Emphasising the cocoa percentage in the recipe will further increase the product's reputation for quality.
- Visit the webpage of hello chocolate to learn more about the benefits of cocoa nibs. This knowledge can be a great resource for marketing your cocoa nibs.

7. Rising cocoa prices affect chocolate companies and consumers

Cocoa bean prices are still an important topic in the cocoa industry. After peaking at EUR 9,209 per tonne in April 2024, prices have lowered to about EUR 6,266 per tonne. However, prices are expected to stay high due to climate change, pest and diseases, illegal surface mining, high fertiliser costs and increasing demand from importing countries. The market faces a third consecutive year of shortages in the 2024-25 season and this is also driving up costs for chocolate manufacturers and consumers. Below, we explain the reasons for high prices.

Firstly, the weather resulting from climate change plays a big role here: West Africa is particularly vulnerable to the warm phase of the El Niño Southern Oscillation (ENSO) cycle, known as El Niño, which frequently brings drier and hotter conditions. In recent months, the region has experienced severe heatwaves and droughts (lack of water). Although these conditions are typical during El Niño years, climate change may be increasing their impacts. Long dry seasons can cause cocoa yields to decrease by 89% to 10%, depending on how severe the drought is.

Secondly, cocoa production faces serious threats from pests and diseases, which are responsible for an estimated 30-40% reduction in global output. Due to climate change effects, West Africa experiences unusually wet conditions, which can trigger an outbreak of Black Pod Disease. This is a fungal infection that typically spreads after the rainy season. If it is left untreated, this disease can destroy an entire crop. While copper-based fungicides can work to control it and reduce crop loss, many farmers either do not have access to or cannot afford these chemical treatments.

Also, there is an outbreak of cocoa swollen shoot virus disease (CSSVD) in Ghana and the Ivory Coast. This disease, found exclusively in West Africa, is spread by insects known as "mealybugs". Cocoa trees with this disease experience significant yield losses, with up to a 25% decline in the first year of infection and 50% by the second year. The only solution for this disease is to remove the infected plants, but this process is very expensive for farmers. In Ghana, for instance, CSSVD leads to an estimated 17% annual loss in cocoa production. As of 2023, the area affected by CSSVD had grown to 592,230 hectares, marking an 88% increase compared to the 315,000 hectares recorded in 2017. Given this fast spread, concerns are rising that without coordinated action from multiple stakeholders, the disease could potentially affect Ghana’s entire 1.9 million hectares of cocoa farms.

Thirdly, illegal mining is affecting cocoa production as farmers lease their lands to miners in exchange for substantial payments, leading to the loss of approximately 2% of Ghana's cocoa cultivation area.

Figure 6: Illegal gold mining within cocoa farms in Ghana

Source: Amonarmah Consults

Fourthly, the Russian invasion of Ukraine in February 2022 caused major changes in the energy world, which led to high prices of oil, coal, gas and fertilisers. This is because most fertilisers are based on fossil fuels. High fertiliser prices are increasing the costs for cocoa producers. This leads to lower yields as some farmers reduce their fertiliser use.

Lastly, chocolate companies are competing for the same limited supply of cocoa beans, but this is also causing the price of the cocoa beans to rise. To make it worse, the cost of sugar, another important ingredient in sweet chocolates, is also rising. In response to higher cocoa and sugar costs, chocolate companies have raised product prices.

However, while it has become harder for chocolate companies to make money, some big multinational companies are still experiencing higher profits. For instance, Mondelez and Hershey reported price increases of their chocolates to around 6% and 5% respectively in the first quarter of 2024. Both companies reported double-digit profit growth over the past year, as consumers continued purchasing their products despite the higher prices. They are also considering further increases in their chocolate prices if cocoa prices remain high. At the same time, some factories are cutting back on production. Chocolate companies can guard their profits by locking in larger cocoa purchases during periods of price dips or by cutting costs in other areas, such as sourcing cheaper ingredients.

Tips:

- For local chocolate makers in producing countries, try new ingredients: Test different things that you can use instead of sugar in your chocolate. Make sure they taste good and do not negatively affect the quality of your product. For instance, you can make chocolate with sugars derived from cocoa pulp. The pulp usually goes to waste on the cocoa farm when the beans are fermented. You can source the pulp from cocoa farmers in your country.
- Improve your production: Keep looking at how you make your chocolate and see if you can do it in a smarter way. If you can reduce waste and use things more efficiently, it can cost less to make your chocolate.
- Collaborate with other stakeholders to teach cocoa farmers in West Africa about the preventive measures for Black Pod Disease and CSSVD.

ProFound – Advisers In Development carried out this study, which was updated by Amonarmah Consults in partnership with Molgo Research and Ethos Agriculture,on behalf of CBI.