



The Organic Cocoa Market in Europe

Summary of a market study

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The Objective of the study

The objective of the study was to create an overview of the market for canned pineapple as an input to a larger study to determine the feasibility of conversion of the products of a canning company in Tanzania to organic. The study consisted of: an internal analysis of the company (not for external publication and excluded from this summary by the editors); an external analysis of the relevant markets; a synthesis combining these (excluded from this summary by the editors). The study focused on France, Germany, Great Britain and the Netherlands, which are the major European import markets of canned fruit.

Market size and characteristics

Chocolate and other organic cocoa products hold a market share of 0.8 percent by volume in Europe, which is similar to the share of other organic dry-grocery products such as coffee (0.6 percent) and honey (1 percent). Sales of organic cocoa products can be expected to grow slowly with the organic market, but they could increase more quickly if more leading manufacturers and retailers would choose to carry and promote these product. Currently, there is only one major chocolate manufacturer involved in this market (Barry Callebaut), as well as several up-market retailers. Important specialized brands and manufacturers include Green & Black's, Vivani (produced by Weinrich & Co) and Mascao (produced by Bernrain AG).

Supply of organic cocoa

Production of organic cocoa is concentrated in Latin-America, with a leading role for the Dominican Republic. Five Dominican Republic exporters, of which the producer cooperative Conacado is by far the largest, supply approximately half of the world market. This country on the Caribbean island of Hispaniola is well suited for organic cultivation, since cocoa is grown under shade and few chemical inputs are used. Reportedly, the island has a strong cocoa culture and farmers are well aware of (conventional) prices on the international markets. Other important suppliers are Madagascar, Tanzania, Bolivia and Peru. With the lack of supply from West-Africa and the limited supply from Asia, the origins of organic chocolate are the reverse of those of conventional chocolate. However, it is unlikely that there will soon be organic supply from either Ghana or Ivory Coast, which are the leading conventional cocoa producers.

The market outlook

Organic imports (into Europe) were estimated to measure 14,000 tons of cocoa bean equivalents in 2003, of which an estimated 2,000 tons is re-exported to the USA. Most of the imports are handled by organic commodity importers, organic and fair-trade distributors (e.g. Rapunzel, Claro, Gepa) and the remainder by integrated chocolate manufacturers (e.g. Barry Callebaut, ICAM). Specialized cocoa traders play a limited role in the market. Cocoa processors will usually be involved on request of others (Dutch Cocoa, Nederland SA), or they are part of integrated chocolate companies (ICAM, Barry Callebaut). Part

of the organic cocoa is processed at origin, with certified processing plants being available in Bolivia, Peru and the Dominican Republic. The study identified the major European importers of organic cocoa, who constitute over 90 percent of the market.

Organic premiums are often quoted in US\$ and have fallen sharply since the beginning of 2001. In 2003, premiums seem to have recovered slightly from 100 - 200 US\$ per ton in February, to currently 200 - 300 US\$ per ton. For several exporters a premium of 200 \$ seems to be the minimum at which they can continue with organic exports. There is little differentiation by quality in the organic market, but there might be an opportunity for African cocoas to distinguish themselves in this area, since conventional African origins are generally valued higher on world markets than the Dominican. Given the surplus capacity available in the Dominican Republic, there seems to be little scope for an increase of the organic premium, except perhaps when the Dominican producers would be willing to “manage” the market.

Major quality issues in the organic cocoa trade are origin, preparation, control of microelements, control of microtoxins, control of micro-organisms and of course proper organic certification. These issues may either be specified in the trade contract or in quality specifications. While most conventional cocoa traders use standard contracts issued by one of the international trade associations (Federation of Cocoa Commerce for Europe), most organic importers have their own specific contract formats. This may be somewhat confusing for exporters coming from the conventional trade.