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Market Profile

TANZANIA COCOA EXPORTS TO THE NETHERLANDS



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1.0 PRODUCT OVERVIEW

Cocoa beans are dried, fermented seeds of the cacao plant (*Theobroma Cacao*) from which cocoa butter and cocoa solids are extracted. Cocoa butter is a creamy colored edible vegetable fat, with a cocoa flavor and aroma. It is used to make chocolate, ointments, toiletries and pharmaceutical products. Cocoa solids are a reddish-brown remnant of cocoa butter, mostly in powder form, used in the production of chocolate and other confectioneries. Cocoa solids are categorized into: Forastero, Criollo and Trinitario (considered the highest-grade).

Benefits of Cocoa:

1. *Antioxidant Powerhouse*: Raw cocoa has a high flavonoid content making it one of the richest sources of antioxidants. Flavanols found in raw cacao have been shown to lower blood pressure, improve blood flow to the brain and fight cell damage.
2. *Rich in Minerals*: Cacao beans are an excellent source of nutrients such as iron, magnesium and calcium. One cup of organic cacao beans provides 429 milligrams of magnesium, which is 107 percent of the recommended daily value (RDV). The same serving also provides over 60 percent of RDV for iron and 11 percent of RDV for calcium.
3. *Good Source of Fiber*: Most people do not get the recommended daily value for fiber, which is about 25 to 30 grams a day from food. However, one ounce serving of raw cacao beans yields five grams of dietary fiber and the fiber found in this nutritious food can help support the digestive system and lower low-density lipoproteins (LDL) cholesterol levels.

Harmonized systems (HS) are codes used to classify products and to calculate international trade statistics such as imports and exports. Cocoa Beans have HS Code 180100 in the HS with Tanzania National Tariff Line 18010000.

2.0 WORLD PRODUCTION AND CONSUMPTION

2.1 Production

According to the International Cocoa Organization (ICCO), cocoa production in the world is estimated at 4,739,000 tons. In 2019, Africa produced about 3,622,000 tons making the continent leader in cocoa production in the world, followed by America at 760,000 tons and Asia & Oceania at 357,000 tons.

2.2 Consumption

The consumption of cocoa is estimated at 4,727,523 tons and Europe is a dominant force in the sector, representing more than half of global cocoa imports.

2.3 Tanzania Production Capacity

Tanzania produces three varieties of cocoa: Forastero, Criollo and Trinitario. The total volume produced is about 23,000 tons (*Ministry of Agriculture, 2017*) and it is exported in a variety of forms such as Raw cocoa, Cocoa powder and Cocoa waste.

Seasonality of production: Production increases from May and reaches its peak in October except for the Morogoro region, which cultivates the crop year-round (Ministry of Agriculture). The regions with potential for Cocoa production are Mbeya (Kyela), Rungwe, Morogoro (Mvomero, Ifakara) and Tanga (Maramba). Kigoma shows promise as a potential cocoa producer.

Companies that are dominant in the cocoa sector in Tanzania are Kokoa Kamili, Biolands International Limited etc. whereas companies that engage in the export of cocoa are Olam, Mohamed Enterprises Ltd, World Botanical Products Ltd and others (TRA).

3.0 GLOBAL TRADE CHARACTERISTICS

3.1 Import Characteristics

In 2018, cocoa imports amounted to 9.8 billion United States Dollars (USD). Over the last five years, cocoa has become relatively cheaper with an annual growth in value and quantity of 1% and 9% respectively; indicating a higher increase in quantity over value. The largest importers of cocoa are Netherlands, Germany and USA who make up almost half of all cocoa imports in the world. Thus, world demand for cocoa beans is moderately concentrated.

Importers	Select your indicators								
	Value imported in 2018 (USD thousand)	Trade balance in 2018 (USD thousand)	Quantity imported in 2018	Quantity Unit	Unit value (USD/unit)	Annual growth in value between 2014-2018 (%)	Annual growth in quantity between 2014-2018 (%)	Annual growth in value between 2017-2018 (%)	Share in world imports (%)
World	9774691	-117301	4125148	Tons	2370	1	9	0	100
Netherlands	2660266	-2025471	1172508	Tons	2269	8	16	7	27.2
Germany	1177852	-1148653	469485	Tons	2509	10	16	24	12.1
United States of America	990199	-969042	415158	Tons	2385	-8	-1	-19	10.1
Malaysia	791224	-437755	345489	Tons	2290	-3	7	14	8.1
Belgium	592966	-96417	233636	Tons	2538	-8	0	-26	6.1
Indonesia	528946	-456503	239377	Tons	2210	21	35	9	5.4
France	420226	-414128	155910	Tons	2695	-2	3	6	4.3
United Kingdom	264410	-261988	113620	Tons	2327	13	21	8	2.7

Source: ITC Trade Map

3.2 Export Characteristics

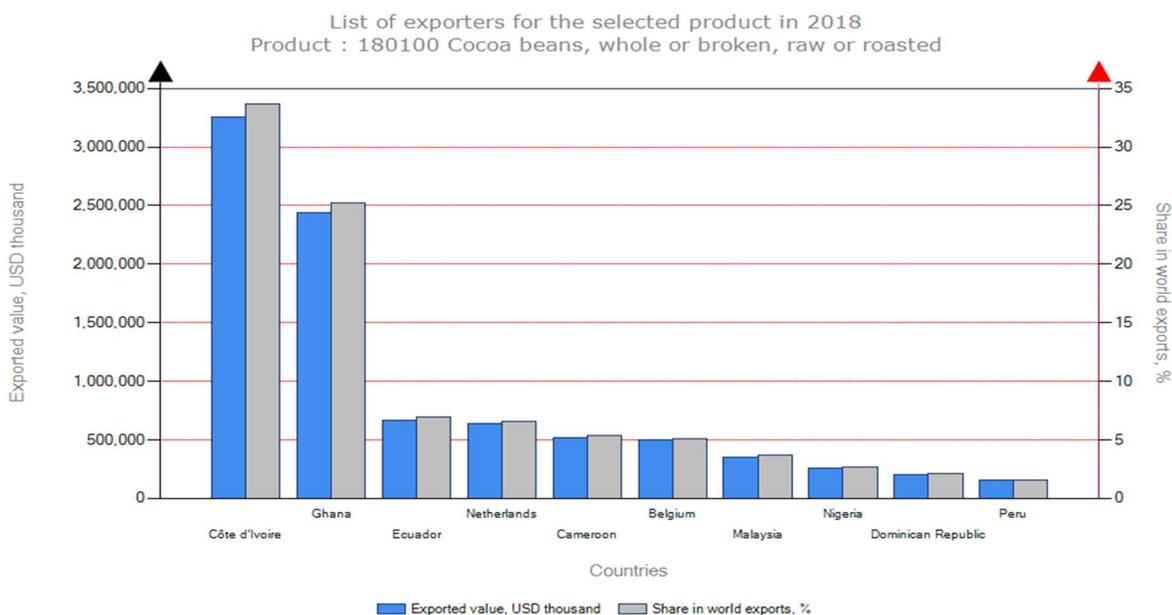
In 2018, cocoa exports stood at 9.4 billion USD. The annual growth in value and quantity over the past five years was 2% and 6% respectively. There are over 100 exporters of cocoa, but the Ivory Coast, Ghana and Ecuador dominate the market with a combined share of 65.8% indicating high concentration in the world supply of cocoa beans.

Exporters	Select your indicators								
	Value exported in 2018 (USD thousand)	Trade balance in 2018 (USD thousand)	Quantity exported in 2018	Quantity Unit	Unit value (USD/unit)	Annual growth in value between 2014-2018 (%)	Annual growth in quantity between 2014-2018 (%)	Annual growth in value between 2017-2018 (%)	Share in world exports (%)
World	9657390	-117301	4046623	Tons	2387	-2	6	-4	100
Côte d'Ivoire	3258527	3258526	1525594	Tons	2136	1	8	-6	33.7
Ghana	2437194	2437194	843641	Tons	2889			48	25.2
Ecuador	665177	664938	294063	Tons	2262	1	10	13	6.9
Netherlands	634795	-2025471	237141	Tons	2677	-2	1	-7	6.6
Cameroon	518504	518504	245016	Tons	2116	-3	6	-4	5.4
Belgium	496549	-96417	189197	Tons	2625	4	11	-20	5.1
Malaysia	353469	-437755	155572	Tons	2272	7	19	13	3.7
Nigeria	256066	255988	148419	Tons	1725	-23	35	43	2.7
Dominican Republic	204584	204578	68164	Tons	3001	-8	-5	16	2.1
Peru	154902	154372	60101	Tons	2577	-2	5	4	1.6
Papua New Guinea	85272	85264	36814	Tons	2316	-13	-1	3	0.9
Estonia	75333	25324	29403	Tons	2562	-10	-6	-38	0.8
Indonesia	72443	-456503	27827	Tons	2603	-24	-19	35	0.8
Uganda	64695	64420	30770	Tons	2103	1	4	19	0.7

Source: ITC Trade Map

4.0 COUNTRY'S EXPORT PERFORMANCE

Tanzania is ranked as the 24th largest cocoa exporter in the world with a 0.2% market share. In the past year, Tanzania exported 10,157 tons of cocoa worth 18.4 million USD. Over the past five years, the annual growth of exports decreased by 7% average annual rate in value. When compared to the world average of (-2%), it becomes apparent that Tanzania is losing market share. The three largest importers of Tanzania's cocoa beans are Belgium, Malaysia and India with imports worth 7.1 million USD, 5.3 million USD and 2.1 million USD respectively.



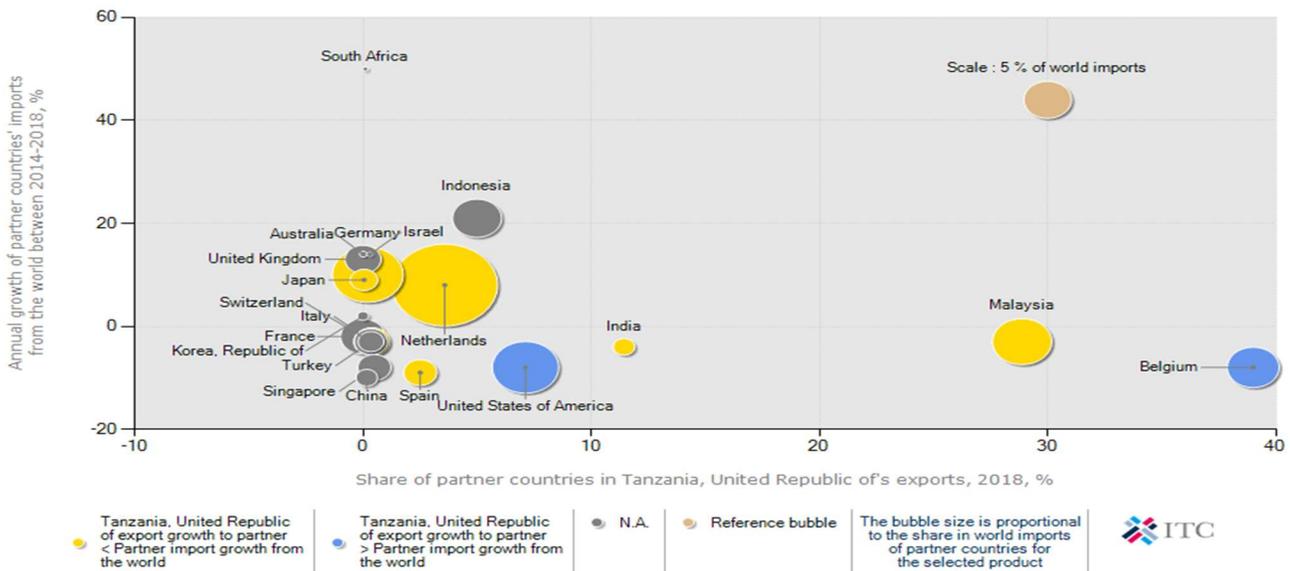
Source: ITC Trade Map

The major cocoa exporters in 2018 were Ivory Coast, Ghana and Ecuador with 33.7%, 25.2% and 6.9% export market shares respectively. Supplying countries are highly concentrated indicating that the market is dominated by a few exporters.

4.1 Cocoa Beans Performance

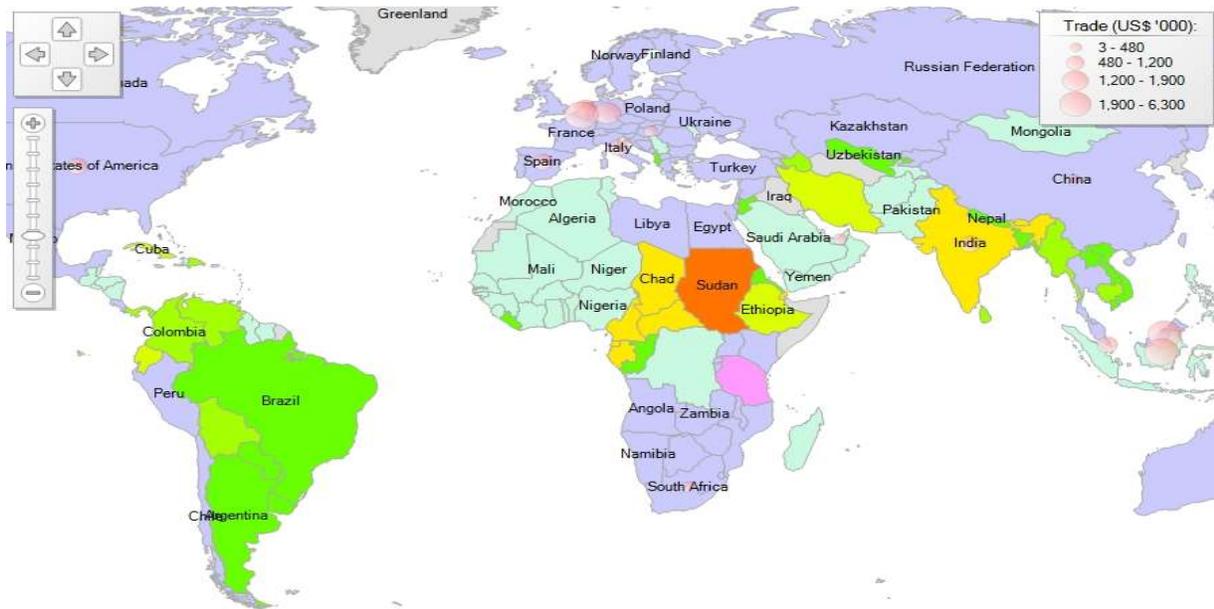
From the graph below, in 2018 Belgium was the leading importer of Tanzanian cocoa beans with an import market worth 39.01%. The blue bubbles indicate that Tanzania is gaining market shares in Belgium, because imports from the rest of the world are growing slower than imports from Tanzania. On the other hand, in countries like Malaysia (which imports 28.88% of Tanzanian cocoa), the yellow bubble indicates that Tanzania is losing market shares due to a surge in imports from the rest of the world compared to imports from Tanzania. The yellow bubble also shows opportunities in markets that are experiencing faster growth in imports from the world with a significant size such as the Netherlands, Spain, India, South Africa and Indonesia, where Tanzania is yet to enter the market.

Prospects for market diversification for a product exported by Tanzania, United Republic of in 2018
Product : 1801 Cocoa beans, whole or broken, raw or roasted



Source: ITC Trade Map

4.2 Tariffs faced by Tanzania



Source: ITC Market Access Map

Tanzania's market access into European countries is based on the generalized system of preference (GSP), where Tanzania has duty free quota free (DFQF) market access. In addition, Tanzania can access Malaysian, Chinese and American markets by utilizing preferential trade agreements that confer similar DFQF market access. However, in some countries, imports from Tanzania face tariffs such as Indonesia, UAE (5%) and India (21.30%) tariff rate.

5.0 MARKET SCREENING

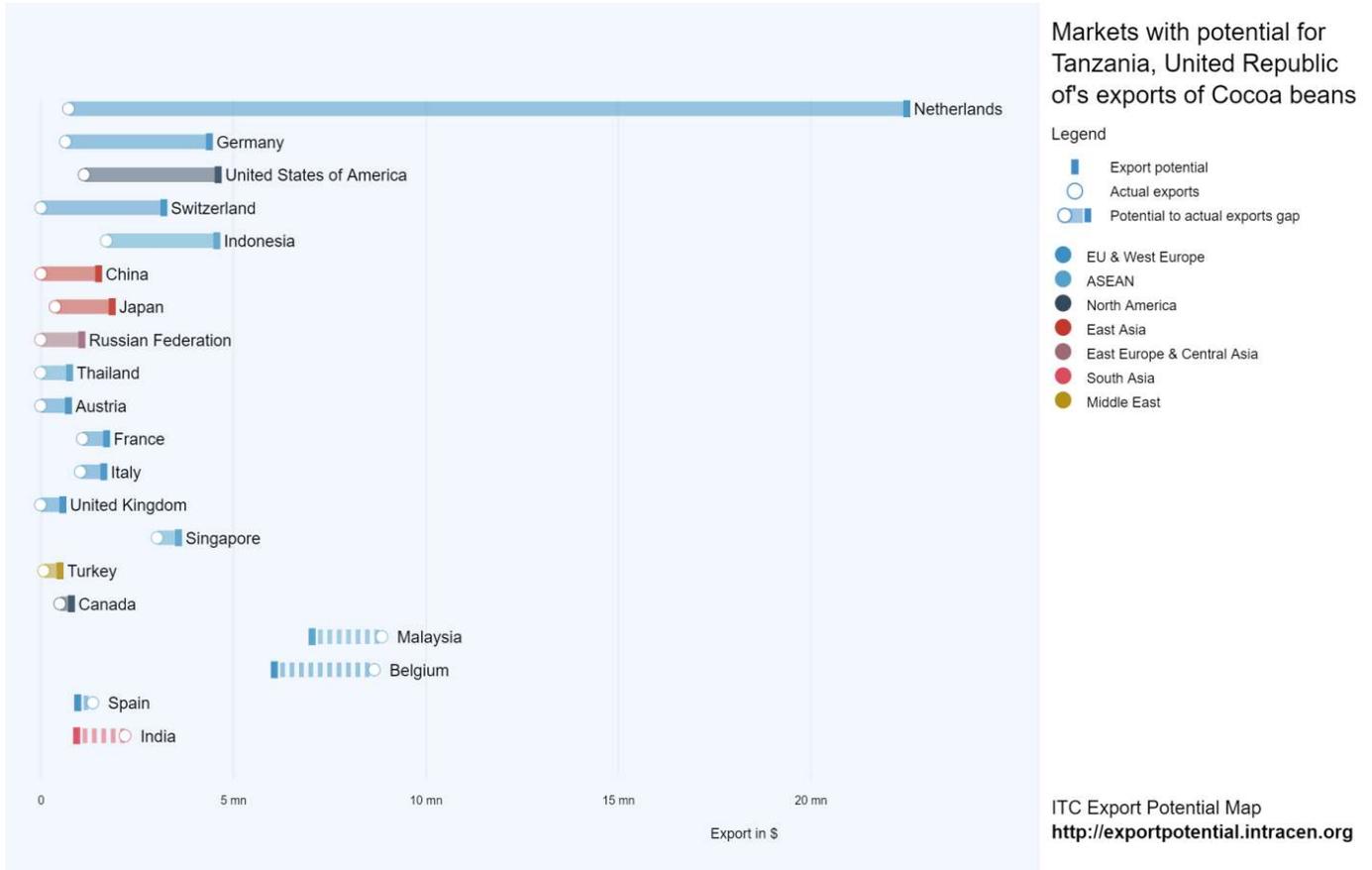
5.1 Attractive Markets

The Dutch market share of cocoa imports is approximately 28% and is valued at 2.7 billion USD, making the country the largest importer of cocoa beans seconded by Germany at 1.2 billion USD and finally Malaysia at 8 million USD. Comparing the annual growth rate in value over the last 5 years, the Netherlands and Germany show a growth in their market size while the Malaysian market has been shrinking.

	Target country	Imported value (000s USD) in most recent year	Unit value (USD/un it)	World market share (%)	Annual growth rate in value past 5 years (%)	Tariff advantage
1	NETHERLANDS	2,660,266	2,269	27.2	8	0
2	GERMANY	1,177,852	2,509	12.1	10	0
3	MALAYSIA	791,224	2,290	8.1	-3	0

5.2 Selected Market

Tanzania has export potential to supply cocoa to the Netherlands. As seen below in the export potential map, the market potential in the Netherlands is 22.2 million USD while Tanzania only exports 726,000 USD worth of cocoa, leaving an untapped potential of 21.6 million USD.



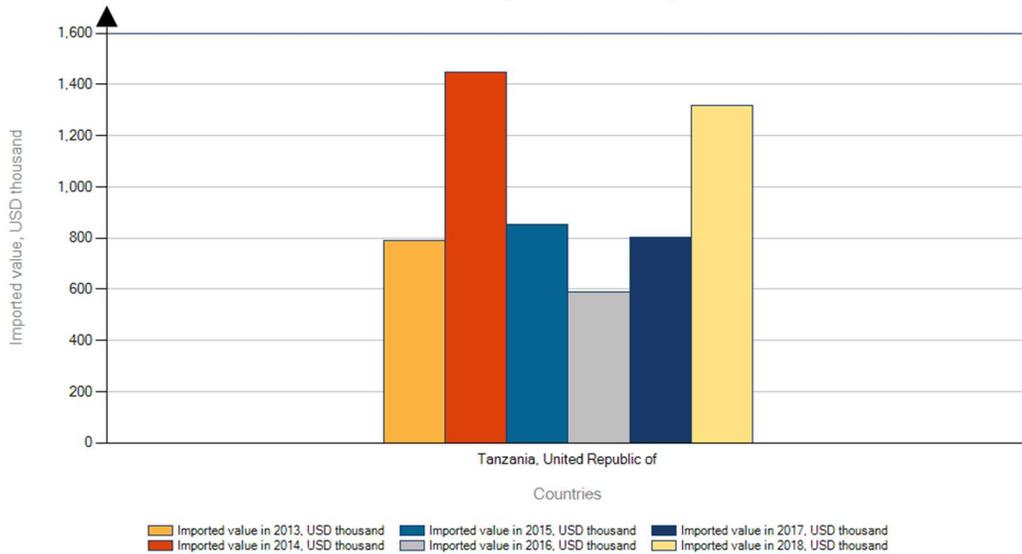
Source: ITC Export Potential Map

6.0 TARGET MARKET CHARACTERISTICS

6.1 Tanzania Trade Performance in Netherlands Market

Tanzania's share of cocoa exports to the Netherlands is 0.2%. In 2018, the Netherlands imported 368 tons of cocoa with the value of US USD 1.3 million, as shown in Graph 6.1. The average annual growth in imported value from the world in the Netherlands was 8% over the past 5 years, while the rate of growth of imported value over the past 2 years was 7%, hence there is a slight change in the imports of cocoa.

List of supplying markets for a product imported by Netherlands
Product: 180100 Cocoa beans, whole or broken, raw or roasted

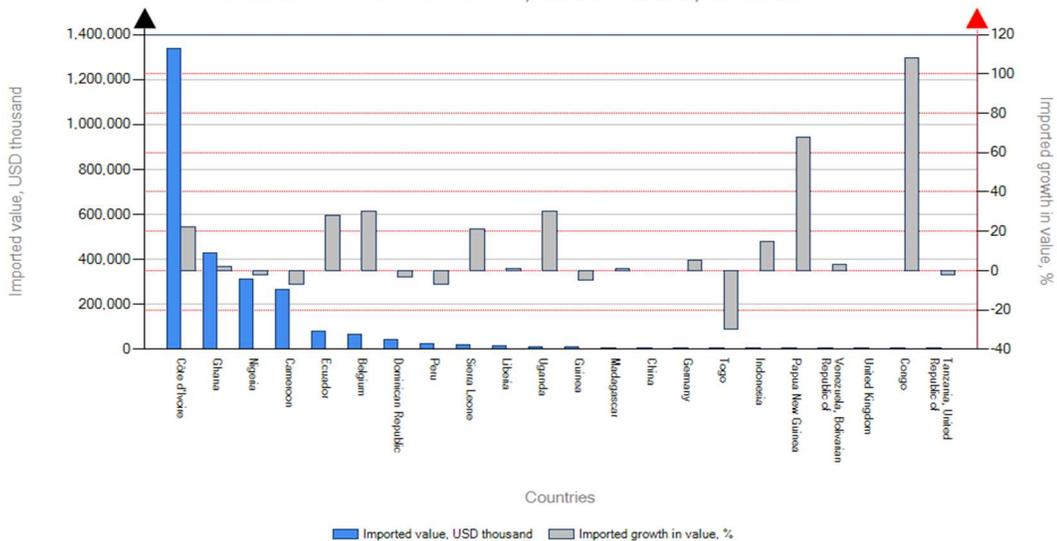


Source: ITC Trade Map

6.2 Competition in the Target Market

The main competitors of Tanzanian cocoa in the Netherlands are the Ivory Coast, Ghana and Nigeria. In 2018, the Ivory Coast exported 589,354 tons of cocoa beans worth US USD 1.3 billion, while Ghana exported 180,805 tons with the value of US USD 428.8 million and Nigeria 146,650 tons valued at US USD 313.4 million as shown in the graph below. The average distance between the Netherlands and their supplying partners is 6,695km. Therefore, comparing Tanzania's distance as well as that of competitors' e.g. Ivory Coast (6,915) and Ghana (8,756) Tanzania is competitively positioned geographically to compete in the Dutch market. However, only Uganda is located at the equivalent distance (7,002 km) of Tanzania (7,471 km).

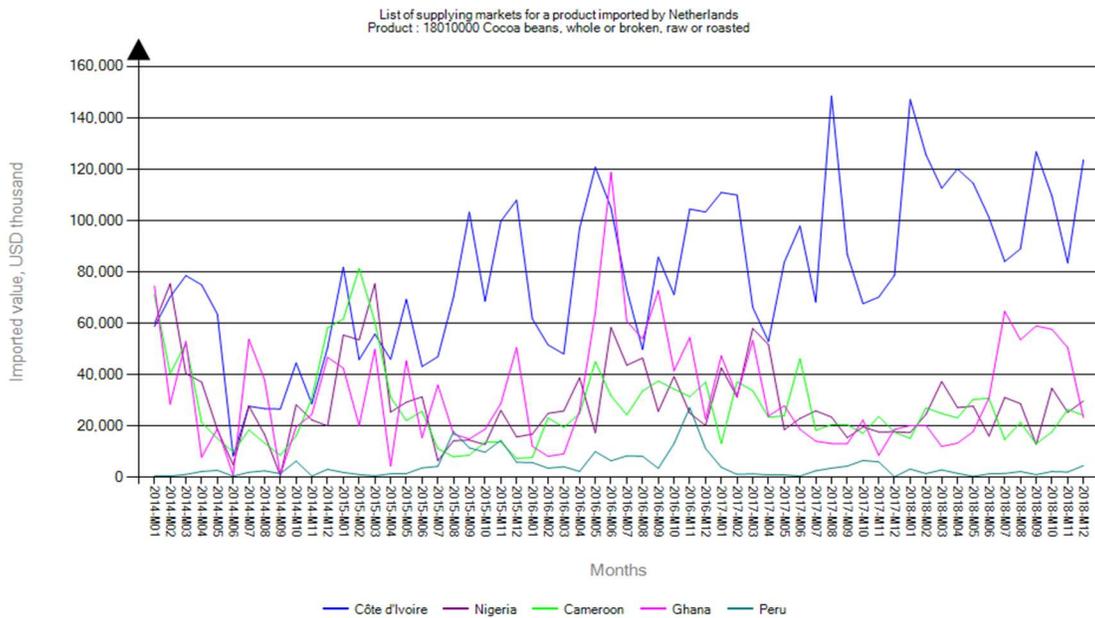
List of supplying markets for a product imported by Netherlands in 2018
Product : 180100 Cocoa beans, whole or broken, raw or roasted



Source: ITC Trade Map

6.3 Import Seasonality

The Graph below shows the variation in cocoa importation in the Netherlands at the National Tariff Line (NTL) level (18010000). The Ivory Coast was the leading exporter to Netherlands spanning the entire supply calendar year-round. On the other hand, other countries e.g. Ghana, supply at a specific period of the supply calendar i.e. March to June. Tanzania could potentially capitalize on the supply calendar for cocoa as not many countries supply cocoa between May and October, which are Tanzania's peak production months.

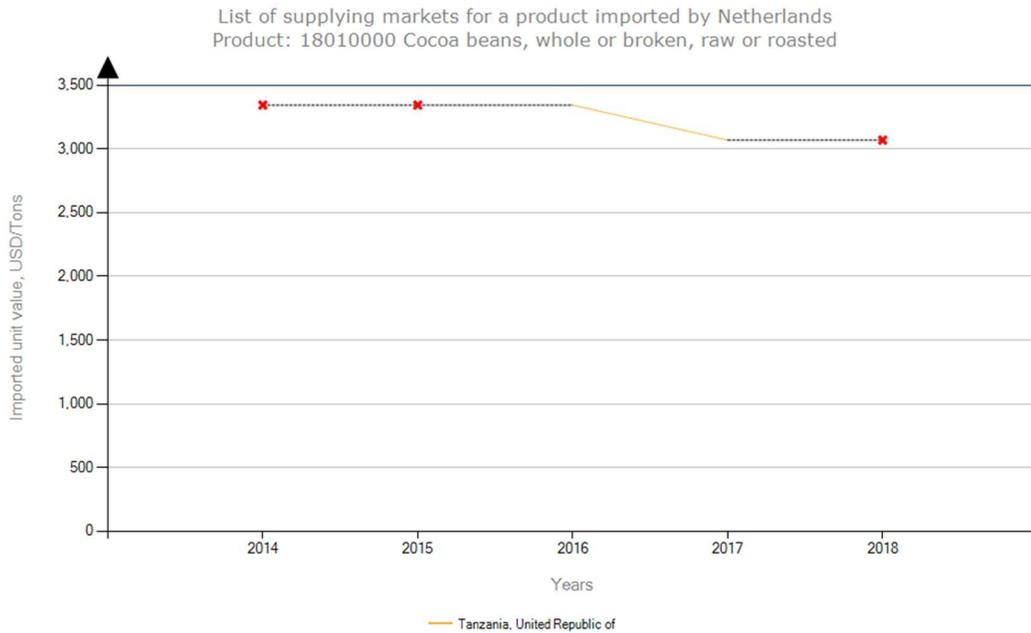


Source: ITC Trade Map

Graph 6.3: List of supplying markets of cocoa beans to Netherlands in quarterly series from 2013- 2018

6.4 Country's price positioning

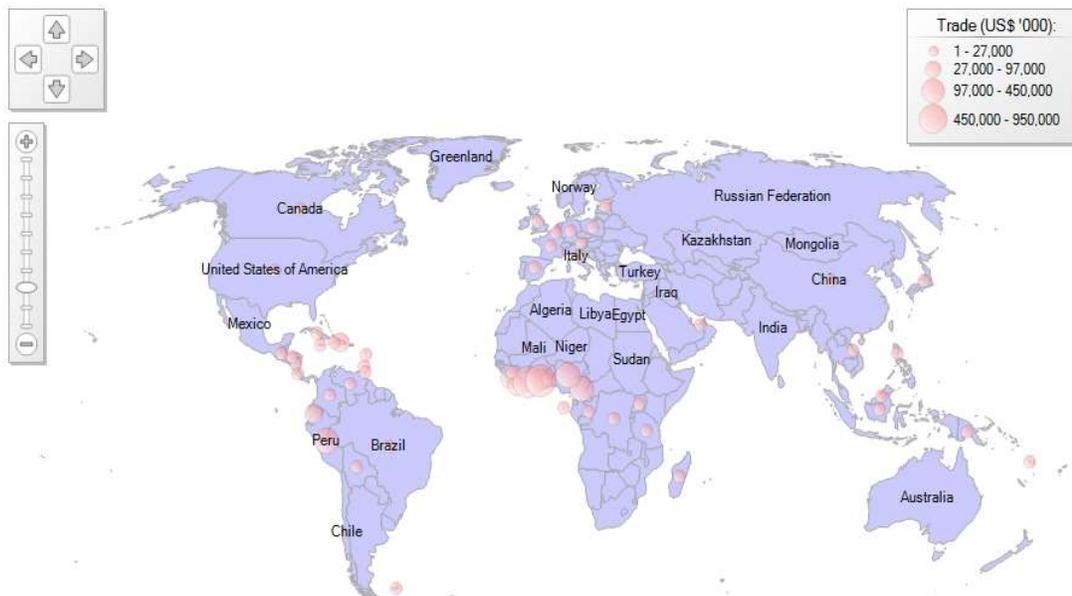
Price-positioning for Tanzanian cocoa beans (whole or broken, raw or roasted) at the NTL level HS Code **18010000** in the Dutch market in 2017 was 3069.23 USD/ton, signaling better prices compared to the average unit value imported by the Netherlands from the world (2,250 USD).



Source: ITC Trade Map

6.5 Tariff faced and tariff advantage in target market

The tariff applied on supplying countries in Netherlands is 0% as shown in Table 6.5. Even though the Netherlands grant preferential market access that is DFQF for Least Developed Countries, including Tanzania in effect, Tanzania has no tariff advantage over the main competitors in the market as all tariffs for supplying countries are zero-rated.



Source: ITC Trade Map

Graph 6.5: Geographical distribution for tariffs applied by Netherlands to all exporting countries of cocoa beans

7.0 THE 6 Ps

7.1 Panorama

Political	Economic
<ul style="list-style-type: none">The government of the Netherlands is a constitutional monarchy	<ul style="list-style-type: none">The Netherlands has a developed economy, GDP growth 2.9%, GDP per capita 53,000-euro, Industrial production growth 3.3%.
Social factors	Technological factors
<ul style="list-style-type: none">Population is 17 million, main language is Dutch and 2nd language is English.The Netherlands has an annual chocolate consumption estimated at 4.7 kg per capita in 2014.	<ul style="list-style-type: none">It is among the best countries for technology and innovation.It is home to the second-largest cocoa grinding industry, after the Ivory Coast.Widespread availability of E-commerce.Mobile network coverage allows 90% of the Dutch population to use internet (July 2016 est.).

Source: *Doing Business*

7.2 Product

Cocoa beans are used in the production of cocoa powder and further processing into beverages, chocolates and desserts. In 2014, the Netherlands had an annual chocolate consumption estimated at 4.7 kg per capita and it is the second largest importer of cocoa powder with a 6.7% share of world imports. Since Tanzania already sells cocoa powder to neighboring countries, there is an opportunity to explore some new markets for cocoa powder in the Netherlands.

7.3 People

The market segment identified is Business to Business (B2B) which includes manufacturers of chocolate and biscuits, as well as other food industries e.g. beverage & bakery industries which usually demand a lot of semi-finished cocoa products such as paste, butter, powder etc. The chocolate industry demands different products, depending on the capacities and scale of the manufacturer. Specialty cocoa is an increasingly interesting segment for exporters in producing countries, as there is a trend favoring premium chocolate in the Dutch chocolate market.

7.4 Permission

7.4.1 Tariff Faced by Competitors

The tariff faced by exporting countries into the Netherlands at the NTL is 0%. Tanzania has no tariff advantage against competitors and in addition the country needs to comply with certain regulations before entering the Dutch market.

	Market share	Tariffs faced	Tariff regime	
Tanzania	0.2%	0%	Preferential Tariff	
Tanzania main competitors in the Netherlands market	Market share	Tariffs faced by competitors	Tariff regime	Tariff advantage for your country (yes or no)
Ivory Coast	33.7	0%	MFN	NO
Ghana	25.2	0%	MFN	NO
Nigeria	6.9	0%	MFN	NO

7.4.2 Regulations

Regulatory requirements to be considered while exporting include but not limited to Sanitary and Phytosanitary Standards (SPS), such as geographical restrictions on eligibility, special authorization requirements for SPS reasons, labeling requirements as well as tolerance limit for residues and Technical Barriers to Trade (TBT) e.g. authorization requirements.

There are also voluntary standards requested by buyers e.g. GLOBAL G.A.P., which are standards for the certification of agricultural production processes which provide safe and traceable products. Other standards include Fair Trade International, Rainforest Alliance certificate, BRC global standards for food safety and Hazard Analysis and Critical Control Points (HACCP) which often is a minimum standard required at the level of storage and handling of cocoa beans.

Packaging and Labeling Requirements

There are various ways to package cocoa beans. The most common way of packaging is by using jute or sisal bags, usually with gross weight gross of 60 - 65 kg. In the fine flavor / specialty cocoa segment, jute bags are still the preferred method of packaging.

In the mainstream market, bulk shipment of cocoa beans is becoming more popular and cocoa beans are loaded directly into the ship's cargo hold or in shipping containers containing a flexi-bag. This mega bulk method is often adopted by larger cocoa processors handling cocoa beans of standard quality and it is not suitable for high quality cocoa, which is traditionally packaged in microlots vacuum sealed GrainPro packages. The bag should be labeled in a specific format, with the organization's name, country of origin, crop year, net weight and lot batch. In the case of organic or fair-trade certified cocoa, the labels should contain the name/code of the inspection body and certification number.

7.5 Price

Cocoa bean surplus in 2017 astounded the industry causing international prices to tumble. Compared to the previous season (2015/2016), there was a growth of about 15% in world production of cocoa. In 2018, average world price stood at 2,370 USD/ton. In the Netherlands, the average price was 2,269 USD/ton and Tanzania's cocoa secured the average price of 3,576 USD/ton owing to the quality of the cocoa exported. The Netherlands represents a great export destination for Tanzania as it offers better prices for premium quality.

7.6 Prospect: Market Leads

Centre for the Promotion of Imports from Developing Countries (<https://www.cbi.eu/>) as Tanzanian Embassy in the Netherlands (<http://www.tanzaniaembassy.nl/>).

Potential importers / traders – The grinding industry in the Netherlands is attributed to the presence of large national and multinational grinders such as:

1. Cargill
2. ADM
3. ECOMDutchCocoa
4. Continental Candy Industries B. V
5. Strootman Group

In the specialty & fine flavor cocoa segment, direct trade is linked to platforms such as Direct Cacao and Cocomanet which connect producers with chocolate makers.

7.7 SWOT Analysis

Strength	Weakness
<ul style="list-style-type: none">▪ Tanzania has market share already in the target market (Source: Trade Map)▪ Tanzania has better quality (organic) cocoa.▪ Strong demand for specialty cocoa means better price offers from consumers.	<ul style="list-style-type: none">• Low production of cocoa compared to increasing demand (Source: FAOSTAT)• Poor finance and technical assistance for Tanzanian farmers to incorporate modern farming techniques.
Opportunity	Threat
<ul style="list-style-type: none">▪ The Netherlands is the gateway for cocoa sub-products into Europe (Source: CBI)▪ Specialty cocoa is an increasingly interesting segment for exporters in producing countries.▪ Direct contact between European chocolate makers and producers is growing.▪ Potential to explore other sub-product such as cocoa powder.▪ Possibility to export to other countries such as Belgium and Germany.▪ High price for cocoa can support small-scale farmers and facilitate poverty alleviation.	<ul style="list-style-type: none">▪ Farmers still rely on rain for irrigation.▪ West African countries are more competitive and have larger market share.

8.0 RECOMMENDATIONS AND NEXT STEPS

8.1 Recommendations

- i. Strengthen the Cooperative Unions through capital finances
- ii. Train farmers on GAP to meet market demand requirements (voluntary and involuntary).
- iii. Establish grinding factories in Tanzania to facilitate entry into global value chains (GVCs).
- iv. Trade Support institutions should create market linkages between Tanzanian exporters and the potential markets.

- v. Market diversification of which Tanzania is currently largely exporting to hence we will be able to diversify and gain the market share for cocoa powder in Netherlands

8.2 Next steps

- i. Stimulate production by utilizing available land suitable for cocoa cultivation e.g. Kigoma region
- ii. Mobilization of farmers and potential exporters through capacity building and continuous engagement by Trade and Investment Support institutions (TiSi) such as TanTrade
- iii. Facilitation farmers by granting subsidies in the form of quality seeds, fertilizers to name a few
- iv. Participation in trade fairs and expos to promote cocoa from Tanzania

9.0 USEFUL SOURCES

Information about the culture, way of doing business in the Netherlands

- i. It is typical to shake hands and say your first and last name.
- ii. During a conversation, the Dutch expect rather intensive eye contact, looking somebody straight into the eyes is interpreted as a sign of trustworthiness.
- iii. Punctuality in business is regarded as a virtue.
- iv. The Dutch are dedicated to business meetings to ensure consensus, they are still conscious of the passage of time.
- v. The Dutch tend to get right down to business and negotiations proceed at a rapid pace. They are known to be forceful, stubborn and tough negotiators, while honesty and reliability are perceived as vitally important in business culture in the Netherlands.

Buyers of Cocoa

Continental Candy Industries B.V De Bolder 40 9206 AN Drachten The Netherlands KvK Leeuwarden: 01058516 BTW/VAT: NL 00.40.37.601.B01 T+31 512 – 525 880 F: (31) 512 – 525 818 E: info@ccicandy.nl ; Web: www.ccicandy.nl	Strootman Group B.V. Oudlandsedijk 10 T 0031 (0) 165 315 555 F 0031 (0) 165 315 155 4731 TB Oudenbosch Nederland E: info@strootman.com ; Web: www.strootman.com
DUTCH COCOA B.V Oceanenweg 1 P.O. Box 59178 1040 KD Amsterdam Netherlands Tel. +31 20 4077600 E: info@dutchcocoa.nl ; Web: http://www.dutchcocoa.nl	DOBLA BV Galileistraat 26 1704SE, Heerhugowaard Netherlands T +31(0)72 576 07 77 F +31(0)72 574 60 14

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