



BASIC

Bureau d'Analyse Sociétale
d'Intérêt Collectif

GERMAN COCOA & CHOCOLATE VALUE CHAINS

INA & GISCO event

20.09.2022



Federal Ministry
for Economic Cooperation
and Development



Food and Agriculture
Organization of the
United Nations



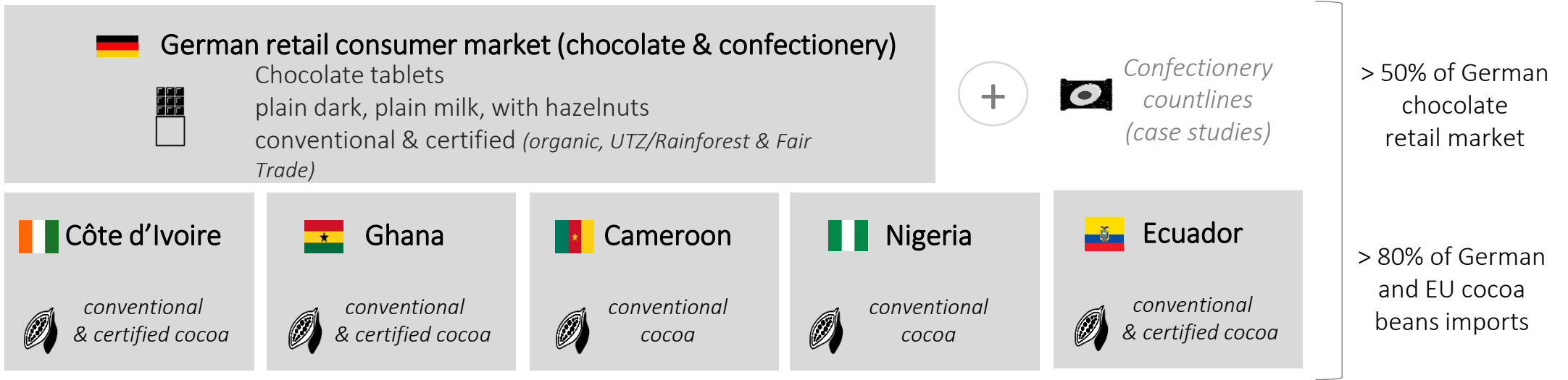
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Introduction

Key objectives:

- To estimate the detailed distribution of value, costs, tax & net margins from cocoa farmers to consumers in Germany,
- Based on these, to investigate the drivers which influence value & costs distribution

Scope:



Research process & sources of information



Main sources of data used to build the model

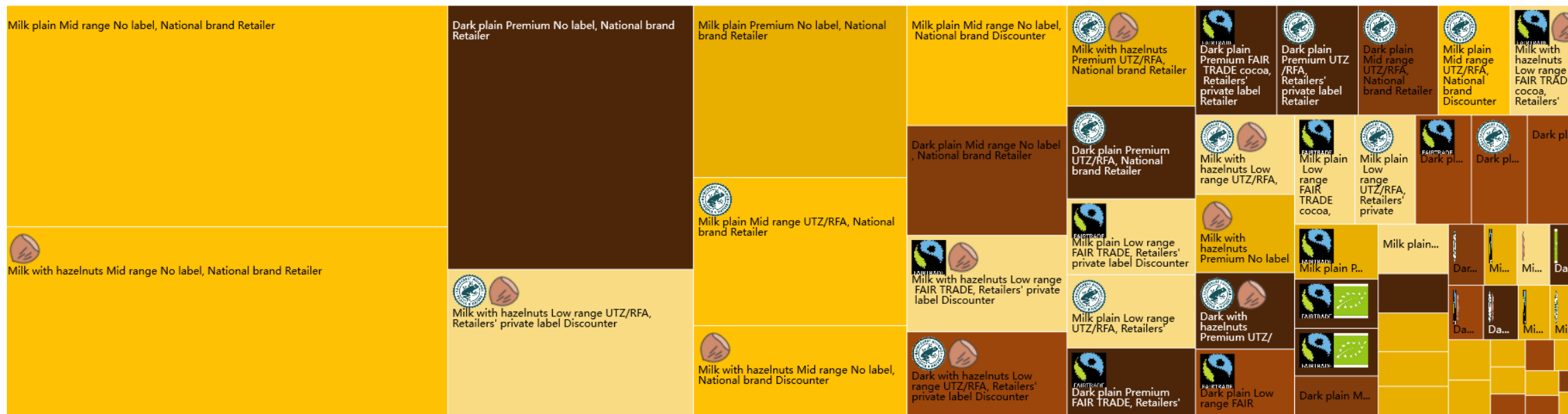
Retail 	• IRI (supermarkets' sales per barcode) • Companies' accounts (Orbis) • BakBasel & Habona Invest GmbH • French observatory on Prices & Margins
Finished product manufacturing 	• Companies' accounts (Orbis) • Kantar • EU Prodcom (industry stats) • UN Comtrade (customs)
Cocoa & chocolate processing 	• Companies' accounts (Orbis) • EU Prodcom (industry stats) • Commodities Risk Analysis • UN Comtrade (customs) • Caobisco • ICCO
Collection & transport  	• UN Comtrade (customs) • Companies' accounts (Orbis) • ICCO & Liffe • CCC (bareme) & Cocobod • Ecuadorian authorities (Magap) & Anecacao • Nigerian Export Promotion Council
Cocoa cultivation 	• CCC (bareme) & Cocobod • Ecuadorian ministry (Magap) & Anecacao • Nigerian Export Promotion Council • USDA, World Bank, BCEAO • KIT & CIRAD • VCA4D & GIZ

Research process & methodology

Key components of the tool developed:

- Modelling the final product market structure (62 chocolate tablets: plain dark, plain milk & hazelnuts / national brands & private labels / retailers & discounters / low, mid and premium ranges / conventional & certified)
- Modelling the business logic of all types of actors in the chain
- Modelling the value chains that link actors with final products

Sales in 2020 of Dark,Milk chocolate tablets sold in Germany: 629 837 063,66 € (62 products)



Highlight of main results: aggregated chocolate tablets sold in German retail

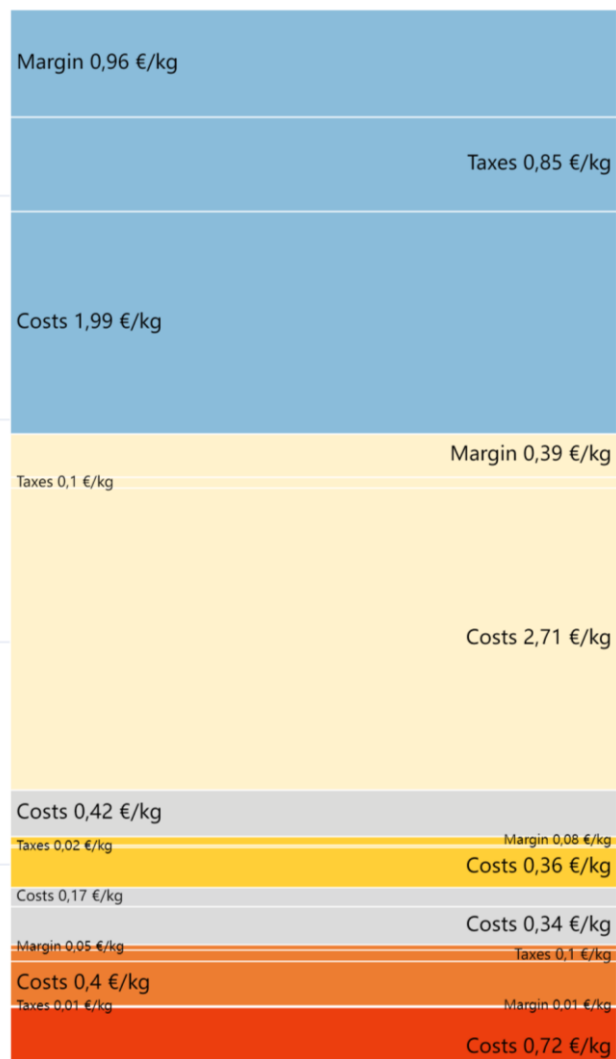
Weighted average consumer price : 8.61 €/kg



Total market value of modelled products: 630 Mn €

Two main segments drive the German chocolate tablet market

National Brand 9.67 €/kg



458 Mn € (72% of modelled market)

Private Label 6.67 €/kg

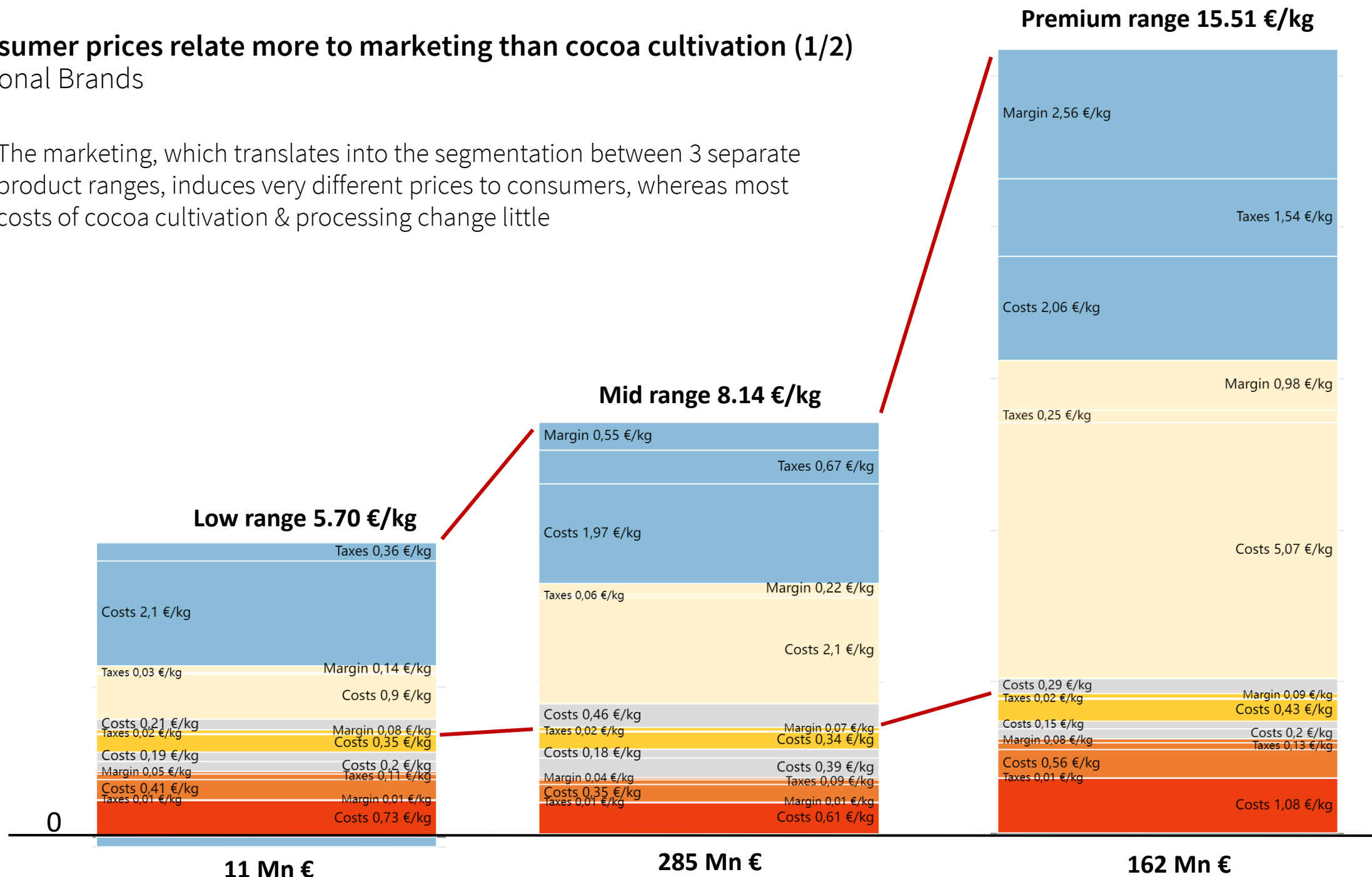


172 Mn € (28% of modelled market)

Consumer prices relate more to marketing than cocoa cultivation (1/2)

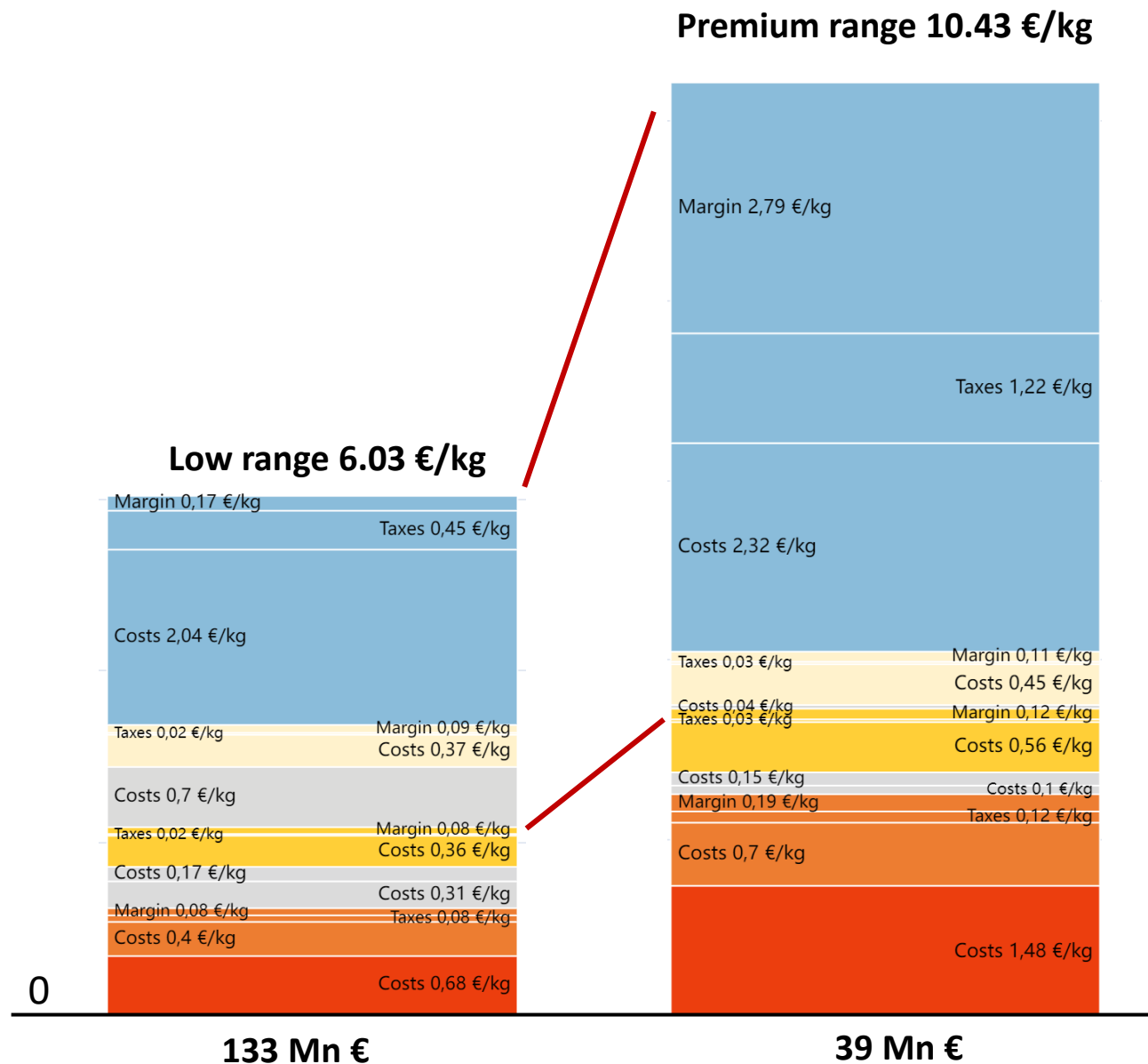
National Brands

The marketing, which translates into the segmentation between 3 separate product ranges, induces very different prices to consumers, whereas most costs of cocoa cultivation & processing change little



Consumer prices relate more to marketing than cocoa farming (2/2)

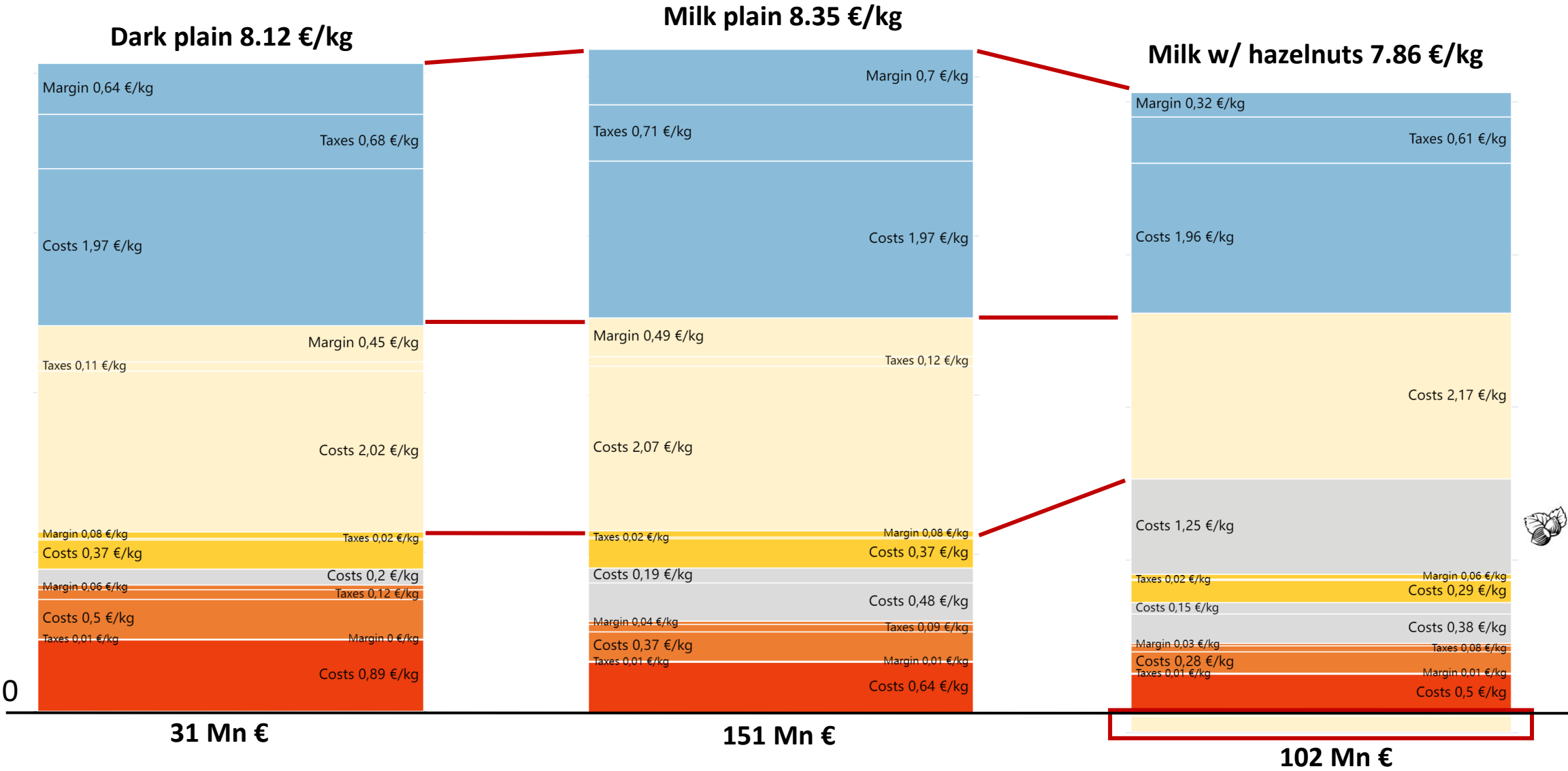
Private Label products of retailers and discounters



Consumer prices are disconnected from production costs (National Brands)

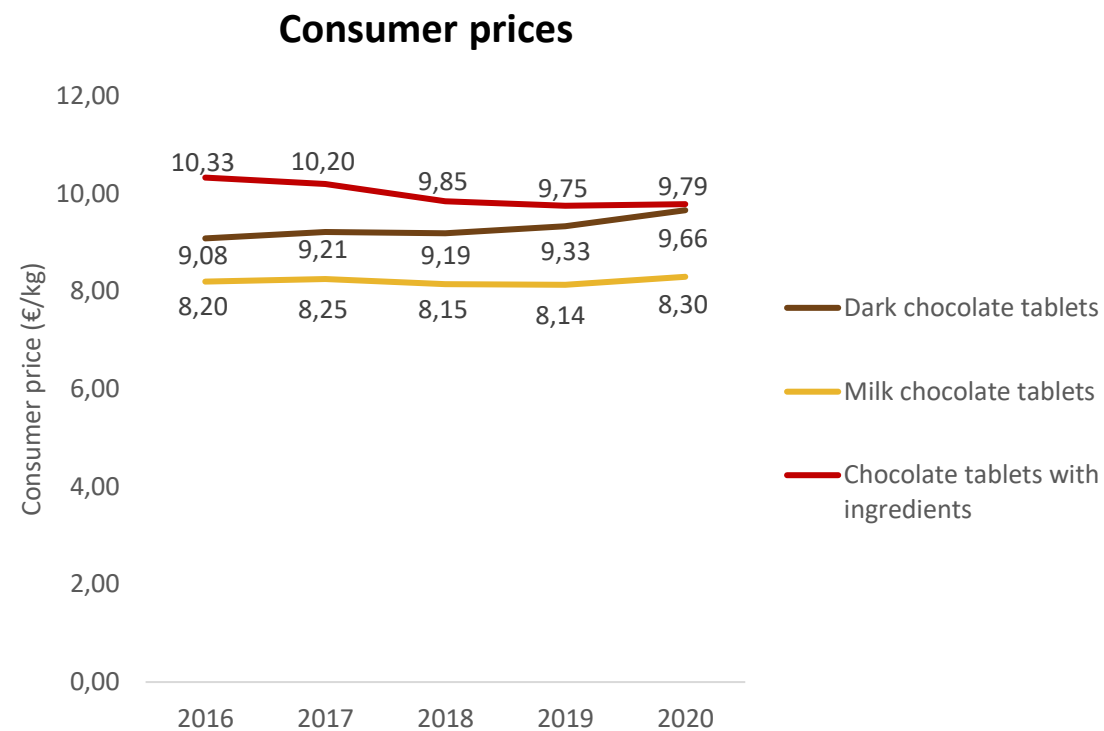
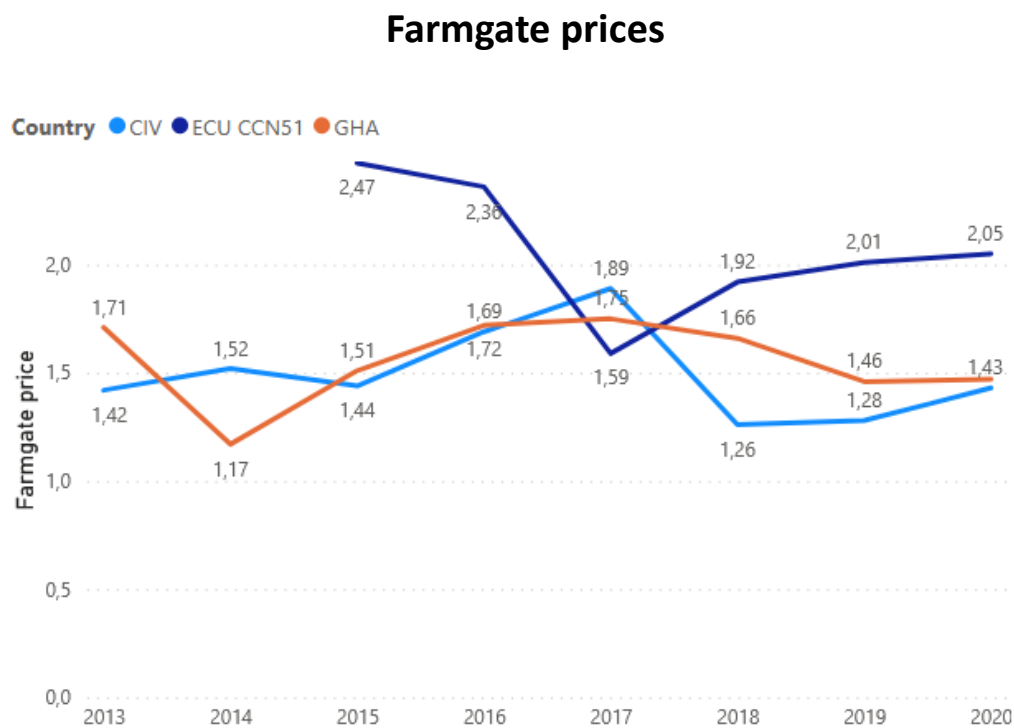
The end consumer prices are a result of the competition between retailers & discounters which have streamlined a “line approach” policy to all the brands than supply them, regardless of the costs of production.

Main results



Focus on producing countries

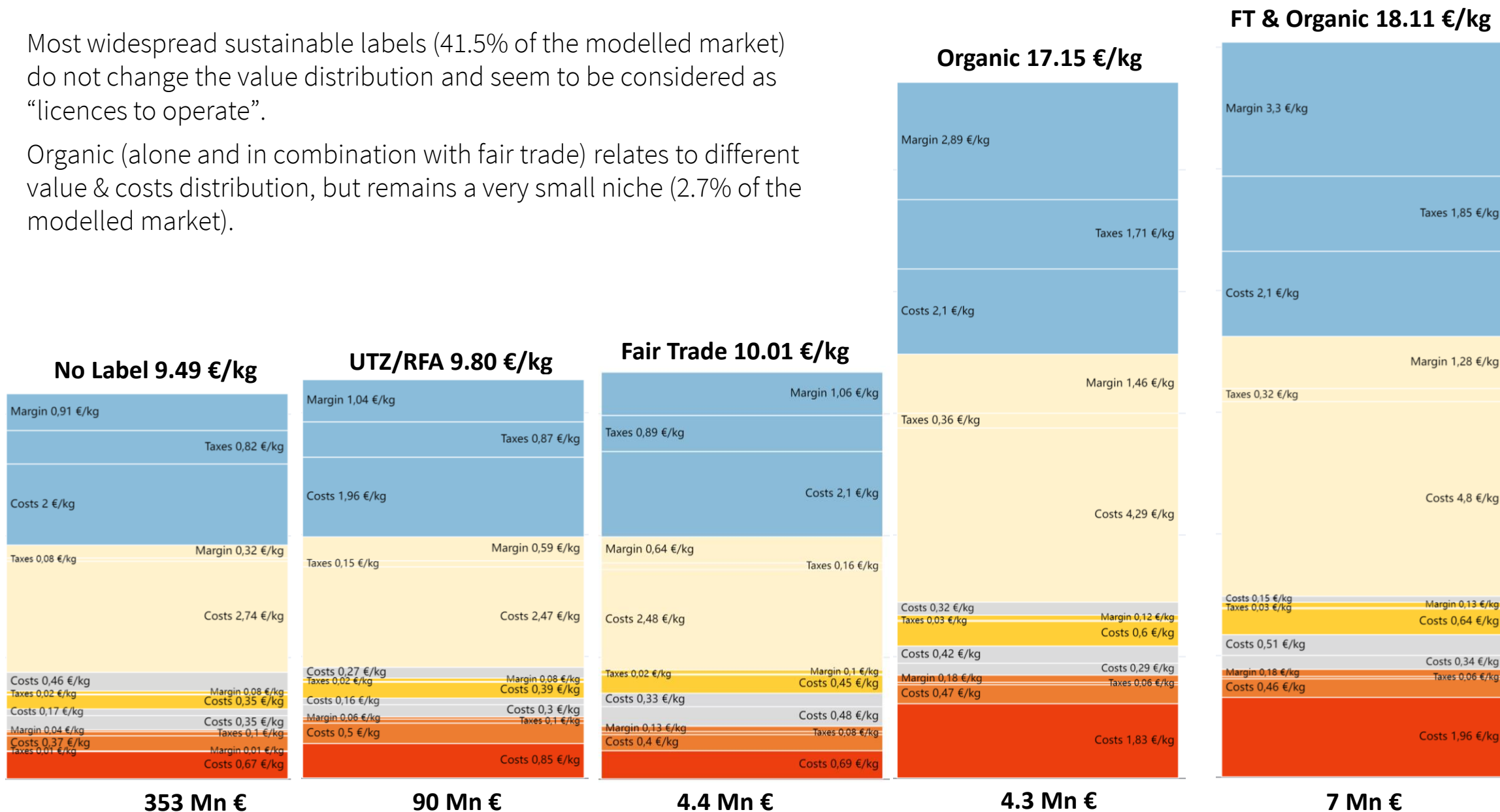
The functioning of the chain enables to achieve low fluctuations of prices to consumers (0.3% to 3% annually until 2020) whereas cocoa farmers are suffering from the low level and high volatility of cocoa prices (6% to 40% annually), even in countries where the sector is regulated.



Most widespread labels make very little difference in the global distribution of value & costs

Most widespread sustainable labels (41.5% of the modelled market) do not change the value distribution and seem to be considered as “licences to operate”.

Organic (alone and in combination with fair trade) relates to different value & costs distribution, but remains a very small niche (2.7% of the modelled market).



Final results

Milk plain Mid range No label, National brand Retailer	Dark plain Premium No label, National brand Retailer	Milk plain Premium No label, National brand Retailer	Milk plain Mid range No label, National brand Discounteur	Milk with hazelnuts Premium UTZ/RFA, National brand Retailer	Dark plain Premium FAIR TRADE, cocoa, Retailers' private label Retailer	Milk with hazelnuts Low range UTZ/RFA, Retailers' private label Retailer	Milk with hazelnuts Premium No label, National brand Retailer	Dark with hazelnuts Premium UTZ/RFA, National brand Retailer	Dark plain Low range FAIR TRADE, Retailers' private label Discounteur	Milk plain Low range FAIR TRADE, cocoa, Retailers' private label
			Dark plain Mid range No label, National brand Retailer		Dark plain Premium UTZ/RFA, National brand Retailer					
		Milk plain Mid range UTZ/RFA, National brand Retailer								
Milk with hazelnuts Mid range No label, National brand Retailer				Milk plain Low range FAIR TRADE, Retailers' private label Discounteur	Dark plain Mid range UTZ/RFA, National brand Retailer					
	Milk with hazelnuts Low range UTZ/RFA, Retailers' private label Discounteur		Milk with hazelnuts Low range FAIR TRADE, Retailers' private label Discounteur	Milk plain Low range UTZ/RFA, Retailers' private label						
		Milk with hazelnuts Mid range No label, National brand Discounteur	Dark with hazelnuts Low range UTZ/RFA, Retailers' private label Discounteur	Dark plain Premium FAIR TRADE, Retailers' private						

Cooking dark chocolate tablet, national brand, bestseller	Basic milk chocolate tablet, national brand, bestseller	Basic milk chocolate tablet, national brand, non bestseller, no label	Premium dark chocolate tablet, national brand, bestseller	Basic dark chocolate tablet, national brand, non bestseller, no label	Basic milk chocolate tablet, private label	Cooking milk chocolate tablet, national brand, non bestseller, no label
	Premium dark chocolate tablet, national brand, non bestseller, no label	Cooking dark chocolate tablet, private label, no label	Basic dark chocolate tablet, national brand, bestseller	Basic dark chocolate tablet, private label	Premium dark chocolate tablet, national brand, non bestseller, organic	Premium dark chocolate tablet, private label, Organic
Cooking dark chocolate tablet, national brand, non bestseller, no label				Premium dark chocolate tablet, private label, no label	Cooking dark...	Premium...
			Premium dark chocolate tablet, national brand, non bestseller, organic & FT	Premium milk chocolate tablet, national brand, bestseller	Premium milk...	Premiu...

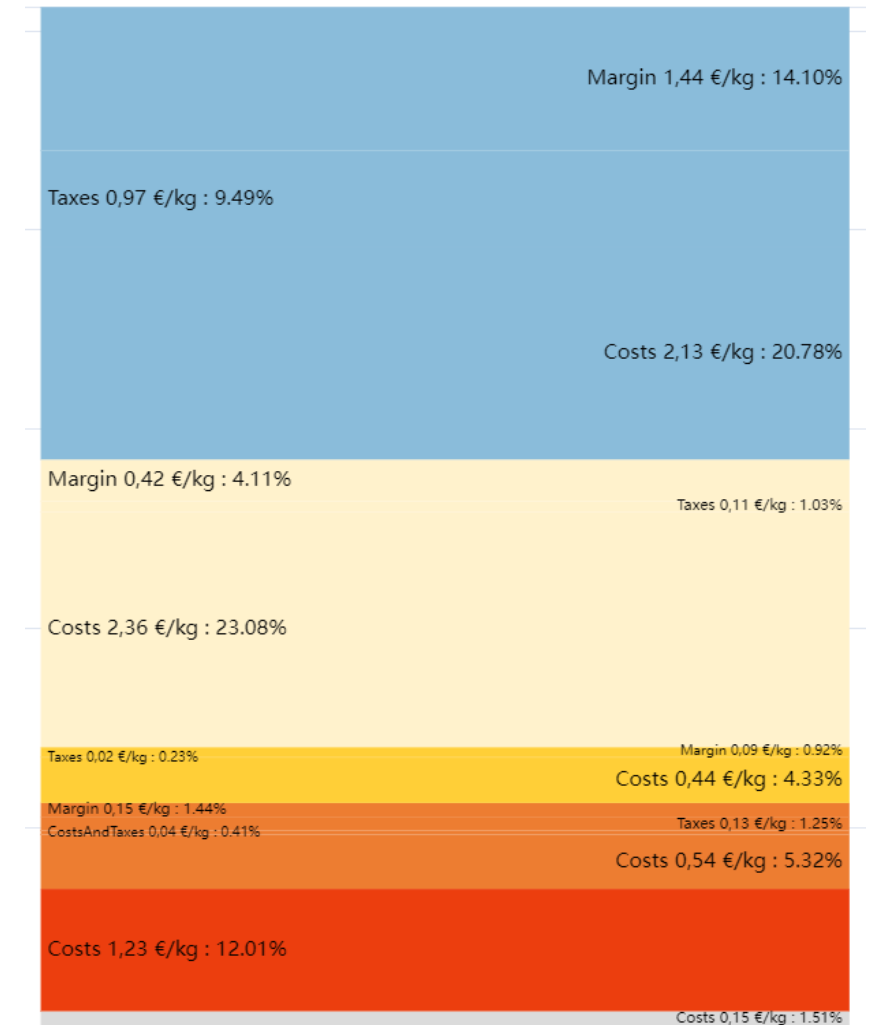
Comparison Germany vs France – Dark plain tablets

- **Different market structures influence consumer price**
e.g. dark plain chocolate prevail in France vs minority product in Germany
- **Common factors which are the most influential on the distribution of value, costs & margins:**
 - National Brands vs Private Label
 - Product ranges (low/mid/premium – basic/cooking/premium)
- **Differentiating factors between the two countries**
 - line approach (Germany) vs best seller approach (France)
 - high VAT on milk chocolate in France

France 9.32 €/kg (2018)



Germany 10.24 €/kg (2020)



Conclusion

- Promote and strengthen farmers' organizations and help develop their capacity (differentiation of cocoa varieties, improvement of quality, access to credit, capacity to invest, etc.) is necessary but not sufficient...
- To change the current situation, one step forward could be to promote the development of **multi-partite agreements** between farmers' organizations, industry players (cocoa processors, chocolate manufacturers and brands) and retailers whose objective is to build value chains that enable all actors to make a decent living.
- In order to enable such agreements, there is a need to enhance transparency through a **permanent 'observatory' tool** at European level on the distribution of value, costs & margins along cocoa/chocolate chains...
...and link it to the **living income/wage** tools developed by GIZ...
...in order to facilitate **multi-stakeholder discussions** based on objectified and cross-checked data at the national & global levels between public authorities (North & South), private actors, consumer associations & civil society organizations.



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THANKS FOR YOUR ATTENTION

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