



**Cocoa Marketing Company**  
*(Gh Limited)*

## **Market research**

# Cocoa Marketing Company Market Opportunities in The Netherlands



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## **Executive Summary**

The objective of this market research is to evaluate the chances that the Cocoa Marketing Company has in the Dutch cocoa market while exporting directly. The research was mostly done via the internet, books and through several questionnaires. Although it was not possible to have all the information needed for this research, most questions were answered by reading several books and reports from international organisations. The internal analysis of the Cocoa Marketing Company will show that CMC meets the norm and values of Dutch society regarding sustainability and child labour. The external analysis will be about the potential threats and opportunities, CMC might face in the European cacao industry.

The Netherlands is definitely a suitable country for CMC to export its products into. Not only are its products already successfully consumed (via Armajero Trading), but the Dutch harbour “Rotterdam Port” makes it easier to reach their destination. The European Union, the world’s largest single market, protects its market against foreign producers applying several policies and agreements. These agreements have negative and positive consequences for the African, Caribbean and Pacific countries. These measures prevent CMC from directly exporting their products into Europe. From the SWOT analysis and the confrontation matrix, the conclusion can be made that the strengths and the opportunities are more significant than the weakness and threats. Of course efforts and changes have to be made by CMC to achieve their goal.

For CMC to be successful, it needs to use a co-operative strategy to enter the Dutch cocoa market. The nature of the products involved makes it difficult for other companies to add any value or resources to it. The products are raw materials that have not been processed and neither does CMC want to be involved in the production of the final products. What CMC needs, is a partnership with others in order to have the necessary network and to have more opportunities. In this case it could have a partnership with UTZ Certified, which will definitely improve its network and expand its opportunities. For these reasons, it can be concluded that a global strategic alliance is the best option for CMC with as a key player UTZ Certified.

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## **Preface**

According to the Cambridge dictionary, globalisation is the increase of trade around the world, especially by large companies producing and trading goods and services in different countries. It also implies no trade barriers and greater movement of people, capital, goods and ideas. Since the creation of the European Union (EU), it has implemented laws concerning the free movement of men and goods within his barriers. However, people or goods coming from outside the EU are confronted with the most protectionist trade bloc in the world (Oxfam International, 2002).

Africa, as the poorest continent in the world, can hardly compete with European producers (Oxfam International, 2002). After many years of slavery and colonisation, Africa is now dealing with natural disasters like drought, floods, famine and structural problems such as the lack of education and technology. Several organisations have helped and are still helping Africa. However, the development aid is neither sufficient nor efficient. There is a saying: “ Give a man a fish, and you feed him for a day; show him how to catch a fish, and you feed him for a lifetime” (Ritchie, 1890). I believe that if given the same opportunities as others, Africa can prove its ability to take care of its own population. To accomplish that, a sector such as agriculture could be very important because of the continent’s soil structure.

Leaders signing contracts and agreements that will only lead to the impoverishment of the continent, is proof of bad governance and management on the African continent. The EPA was a big mistake for Africa and the consequences are visible in the field. No official report was published about the consequences since it was implemented. There are only a few organisations that have mentioned it on their website. This makes it difficult to find information and statistics about the subject. However, personal observations have made me conclude that until Africans are ready to change, it would be difficult to help them.

Writing this paper was really enriching. I have learned that the world is not always what it seems to be. My continent has a long way to go. We need a continental revolution. I believe and I know now that we, Africans living and studying abroad, can make these changes if we decide to go back to our roots.

God bless Africa “Berceau de l’humanité”.

## Introduction

Africa has two countries that are world leaders in the production of cocoa, which are the Ivory Coast and Ghana. These countries together produce more than 40% of cocoa in the world (ICCO, 2010). However, they do not have much to say when it comes to the export of cocoa. They have no choice than to sell their products to trading companies, who will sell it to companies that will process the cocoa. By following this procedure, cocoa producers get less profit for their products. Cocoa is mainly used in the Western world, this means that the product is shipped to Europe or The United States of America. For this research, a West- African country called Ghana was chosen and its cocoa export will be analysed. Ghana was chosen because of its stable political and economic life, in comparison with the Ivory Coast, the world leader in cocoa production. The company chosen for this research is called the Cocoa Marketing Company (CMC). Right now CMC has little choice in its range of customers. The company exports all its products through trade companies such as Armajaro Trading and Continaf B.V. If CMC exports without trading companies, it could make a lot more of profit and have more freedom in the way of doing their business. By being in a foreign market, CMC can identify possible new opportunities and expand its customer group. It will also be directly in contact with the customers.

The objective of this research is to evaluate the chances that African Cocoa companies have in the European market while exporting directly. I chose a semi private/public Ghanaian company called CMC, to show that African governments are not always corrupted as mentioned in several international reports (Economywatch, 2010). The Cocoa Marketing Company (CMC) has shown in my opinion that a government, an African government, can also do something positive for its population. The country of entry, The Netherlands, was chosen for its high import rate Cocoa (See Appendix 1). It is also a strategic place for CMC to import into large amounts of its product, because of the Dutch famous harbour “Port of Rotterdam”. CMC’s product is already on the Dutch market through Armajaro Trading and Continaf B.V.

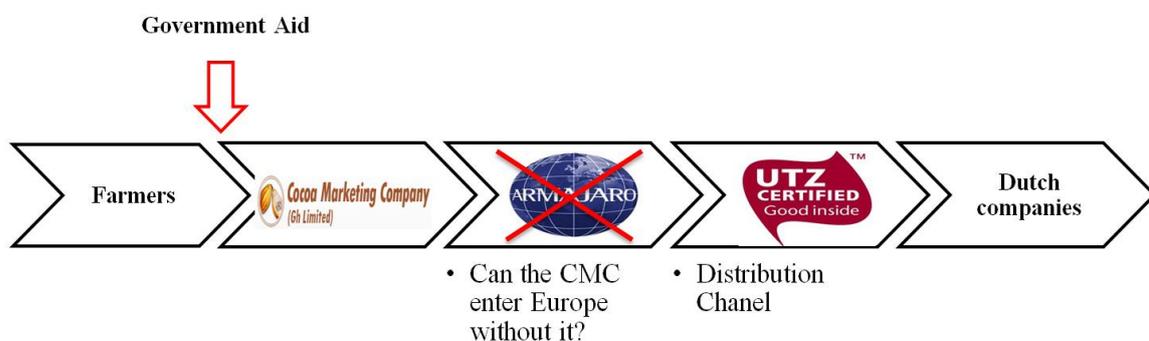


Fig. 1: Diagram of the export process

The central question of this market research is:

***“How can the Cocoa Marketing Company overcome the economic barriers of the European Union and have a successful market opportunity using direct exporting into The Netherlands ?”***

The sub-questions that will be answered are:

- Is CMC’s cocoa suitable for the Dutch cocoa market?
- Which Dutch companies could be interested in CMC’s product ? (demand of the products)
- Will Dutch/European companies be interested in working directly with CMC?
- Who are the competitors and can CMC face its competitors after paying EU taxes?
- What are the EU regulations that could pose a barrier and what are their effects on CMC?
- How can CMC make a market entrance?

#### Research Methods

The research of this report was mostly done via the Internet and through several questionnaires. Although I was not able to have all the information I needed, most questions could be answered by reading several books and reports from international organisations. This reports starts with general information about the Ghanaian company (CMC) because it is important to know the company itself, its structure, its position in the cocoa market, its services and most importantly its ability to serve international clients. After that, more research was done through questionnaires about the perception that others (international community, foreign companies, etc) have about CMC. One of the most important question I had to answer was: “Will Dutch/European companies be interested in working directly with CMC?” Even if CMC finds customers in the EU, how would the EU law affect their collaboration. During my research I came across many EU laws about the subject. I analysed them to find out which strategy CMC should adopt in order to be successful in the European cocoa market.

## I. Internal Analysis

The internal analysis is about the Ghana Cocoa Board, its subsidiary the Cocoa Marketing Company and the product, which is cacao. Information about the institution, its market position and future plans is provided.

### 1. Company Description

#### A. The Ghana Cocoa Board (GCB)

GCB is an institution that was created to protect Ghanaian local farmers against the unstable prices in the world market. The institution was created in 1937 after Ghanaian farmers refused to sell their cocoa at the low prices set by European merchants. They started a strike and refused to sell their product for 8 months. The Nowell commission was set up by the British government (the colonizer) in order to find a solution. The Nowell commission then advised the government to assist cocoa farmers by establishing a Marketing Board. Since then, the Ghanaian government has always kept an institution to support cocoa farmers. The name of the organisation has changed over the years but its goal and mission have not changed since. Although it is a government controlled institution, Ghanaian farmers have a lot to say in the decision making. They have their representatives inside the organisation who keeps them informed about major decisions. GCB's mission is: "to encourage and facilitate the production, processing and marketing of good quality cocoa, coffee and sheanut in all forms in the most efficient and cost effective manner, and maintain the best mutual industrial relation with its objectives." (GCB, 2011)

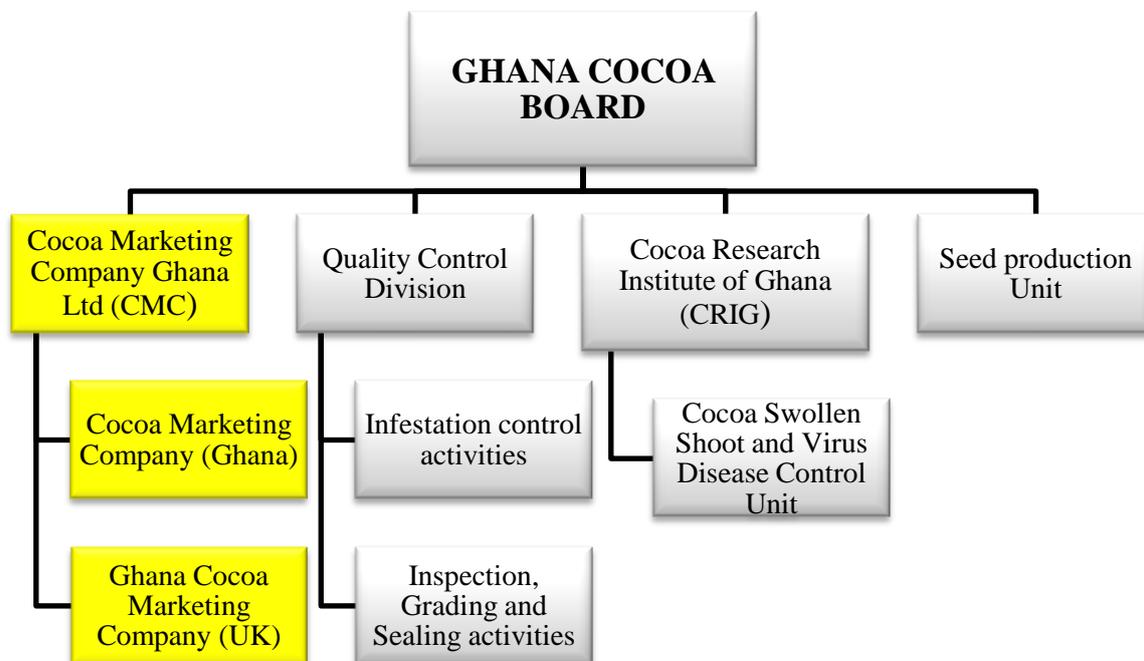


Fig. I.1: Diagram of the Ghana Cocoa Board

The Ghana Cocoa board has many subsidiaries: Cocoa Marketing Company Ghana Ltd, Cocoa Research Institute of Ghana, Seed Production Unit and the Quality Control Division. For this research plan, the Cocoa Marketing Company Ghana Ltd (CMC) is the most important institute because of its role, which is to sell the cocoa produced by GCB's farmers. All those subsidiaries are there to make sure the products delivered by CMC are of good quality. They make GCB the producer of one of the most high quality of cocoa.

### **B. The Cocoa Marketing Company (CMC)**

CMC was an initiative of GCB. The goal was to have a partial liberalisation of the cocoa industry in Ghana. The structure was changed from a single government-controlled cocoa purchasing entity to a system in which private companies could take on the role of licensed cocoa buyers (Fair Trade, 2010). CMC was the sole seller of Ghana's cocoa to local processing companies and the international market. According to several reports (Annual report ICCO, 2010), an overwhelming majority of cocoa is covered by CMC, some special types of cocoa are not included, such as fair trade and organic. However, no numbers or statistics could be found during this research to confirm this affirmation. CMC has an established subsidiary, operating in London in the United Kingdom. The company was incorporated in June 1961 to perform the following functions:

- To promote, sell and deliver Ghana's cocoa to both local cocoa processors and international traders and processors.
- To take delivery and to store Ghana's cocoa at its designated warehouses in Tema, Takoradi and Kumasi take-over centres.
- To support the financing of Ghana's cocoa sector by facilitating the annual syndicated loan arrangements and to ensure that sale proceeds are collected towards the repayment of the loan. (CMC, 2011)

The Cocoa Marketing Company employs 694 people, stationed in Accra, Tema, Takoradi and Kumasi. The company has 7 departments, which are: (CMC, 2011)

- |  |  |
|--|--|
| - Marketing department;                              | - Audit department;                                |
| - Shipping department;                               | - Security department;                             |
| - Warehouse and Port Operations<br>department (WPO); | - Administration and Human resource<br>department. |
| - Accounts department;                               |  |

Any company or organisation that wants to have an international transaction, export or any other sort of business with the Ghana Cocoa Board, has to do it through the Cocoa Marketing Company. Their facility in London is there "to support Trade, Logistics and Financing activities for their parent company Ghana Cocoa Board" (CMC UK, 2011). It also makes it easy for foreign investors to contact

the organisation. CMC is already exporting into Europe, but it has to do it through foreign companies such as Armajero Trading and Continaf B.V.. Sustainability is one the most important factors in the cocoa business because most customers require it. It is a fundamental condition if a company wants to be a member of an international organisation such as the International Cocoa Organisation (ICCO). The products sold through CMC are sustainable (ICCO, 2010).

### **C. Quality Control Division**

The International Cocoa Standards requires cocoa of merchantable quality to be fermented, thoroughly dried, free from smoky beans, free from abnormal or foreign odour and free from any evidence of adulteration (GCB). It is the Quality Control Division's (QCD) responsibility to make sure that the quality of cocoa is maintained. They do that by carrying out activities such as infestation control, inspections, grading and sealing Activities. Only the cocoa that meet the quality requirements will be sold.

### **D. Cocoa Research Institute of Ghana (CRIG)**

CRIG carries out research on problems relating to the production of cocoa. It also provides information and advices on all matters relating to the production of crops. Research are conducted in seven scientific divisions, these are: Agronomy/ Soil Science, Plant Breeding, Entomology, Plant Pathology, Physiology/ Biochemistry, Social Science and Statistics and New Products Development. Some achievements of the CRIG (GCB, 2011).

- Understanding of cocoa fermentation and flavour chemistry.(Late 1950's)
- Development of early bearing and high yielding WACRI Series II hybrids by crosses between the Amelonado cocoa and the Amazon cocoa. (1964)
- Mass hand pollination of clonal seed gardens for large scale production of seed pods. (Early 1970s)
- Isolation and characterization of CSSV disease and development of diagnostic methods. (1980's and 1990's)

### **E. Seed production Unit**

This unit is responsible for the multiplication and distribution of improved cocoa planting materials to farmers. By distributing improved cocoa planting materials, they keep the good quality of the cocoa. This means that the crops will have lesser chances to have diseases or to be abnormal. The improved seeds are produced in seed gardens called cocoa stations.

## 2. Market definition

The market definition allows to define a company's activities. According to D.F. Abell (1980) the activities of a company should be described on the basis of three dimensions. These three dimensions are: customer groups (who are being satisfied?), customer functions (what the customer needs) and technologies (how to achieve customer satisfaction). CMC operates in the Business to Business (B2B) market. It carries out trade transactions between itself (producer) and other businesses (trading companies, wholesalers). CMC sales raw materials (cocoa beans and cocoa powder) that are processed to make many other products (chocolate, candy, ect..).

The Abell Model of the Cocoa Marketing Company (CMC):

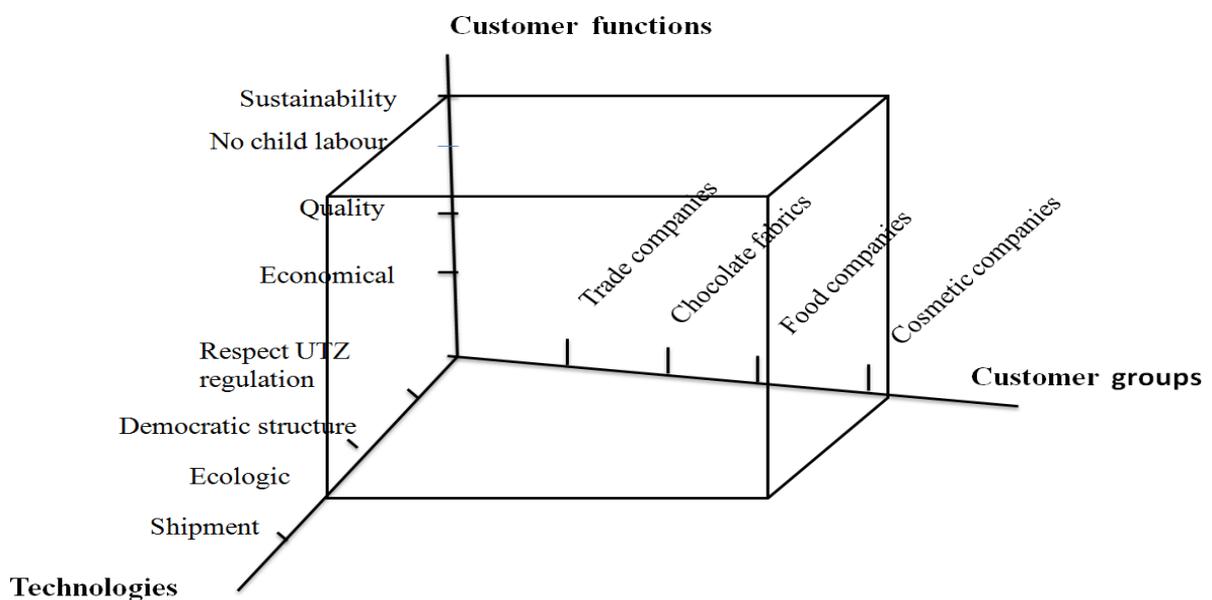


Fig.I.2: Abell Model of CMC

The X-axis defines the different customer groups. Cocoa is needed by cosmetic companies, trade companies, chocolate factories and food companies. Cosmetic, chocolate and food companies mostly have their own recipe. Trading companies play the role of mediator between the seller and the buyer.

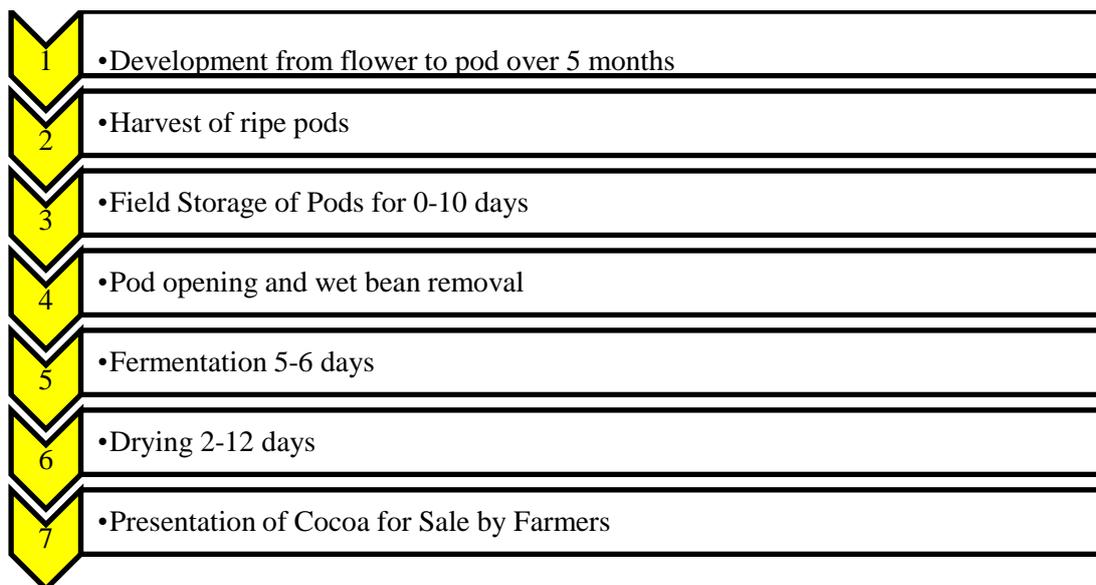
The Y-axis defines the needs of the customers (customer functions). Customers receive a good quality product, which is made in the best conditions for the farmers. Customers want sustainable product. It is part of their corporate responsibility.

The Z-axis defines the methods used by CMC to achieve its goal (satisfying the customers). By making ecological products, it send a signal of social responsibility. By giving shipment options, CMC is trying to make it easy for the customers.

### 3. Product Description

The products involved here are cocoa beans (whole or broken) and cocoa powder. Cocoa is the fundamental basis of chocolate products. This dried and fully fermented seed is extracted from the cocoa pod (the fruit) on cocoa trees. Cocoa trees begin to bear fruit when they are three to four years old. The trees produce colourful flowers, which will turn into pods. Strangely the pods grow straight out of the trunk and the main branches. The trees are carefully pruned to make sure the pods are harvested easily. Before cocoa beans are extracted from the pod, it must be decided if they are ripe or not. Pods that grow on the same tree do not ripen at the same time. From their colour, it can be seen which one is ripe (yellow or orange). The harvesting of cocoa pods is very labour intensive. The harvested pods must be cut very carefully, because this is where future flowers and pods will grow. The harvesting of cocoa has often been in the news because it involves child labour in many countries. CMC has a zero tolerance policy for child labour. Their relation to the International Cocoa Organisation (ICCO) and the fact that their product is being sold on Dutch grounds can be seen as a proof of their sustainability.

Fig I.3: Illustration of the Process of Cocoa Cultivation



Source: (Aliba.com, 2011)



Source: (homeschool.gleeson, 2011)



Source: (Aliba.com, 2011)

Cocoa beans do not taste the same, depending on the country or continent it comes from. The Ghanaian cocoa has a deep and classic cocoa flavor. It lends balance to more complex beans in the making of chocolate. See appendix no2.

It is after this process that CMC buys the cocoa from the farmers (through GCB) and sells it for export to trading companies. The price offered to the farmers is regulated by GCB. However, potential benefits made by CMC are used in programs for the farmers. CMC is not allowed to realise profits. If CMC succeeds to export directly to The Netherlands, the profit made may also be used to expand and improve the company. Unfortunately, no financial records were found to determine if CMC will either need a loan or any form of financial help to be able to export directly to The Netherlands.

#### **4. SW analysis**

##### **Strength**

- Internal structure and coordination
- Democratic background : less chance of corruption
- Representatives in Europe (London)
- Options about the shipment Cost, Insurance and Freight (CIF)
- CMC benefits from the findings of the Cocoa research institute of Ghana and the findings of virus disease control unit
- Respects the sustainability rules and the environment
- Member of several global organisation such as ICCO (International Cocoa Organisation).

##### **Weakness**

- The government has a share in the company: potential clients may be sceptical, because of the high corruption level on the continent.
- It has to use marketing more efficiently in order to attract more foreign customers or potential clients.
- The company's website needs to be more transparent for visitors. Crucial information, such as year reports and customers, are not published. Those information are important because they allow new customers to know if the company is credible and successful.

## **5. conclusion**

The Cocoa Marketing Company has a strong historical background. Its home institution GCB was created in order to protect poor farmers in Ghana. The task of CMC is to make sure that the cocoa of GCB members is sold on the international market. The internal structure of the company gives it a strong base to expand its market opportunities. The other subsidiaries of GCB give CMC several advantages such as high quality products and controlled products. CMC will have to make changes in order to handle direct export. This means that they will need to establish an office in The Netherlands and their staff members would have to get proper training. Most importantly CMC will have to focus on developing a proper channel to supply its products. Those channels must suit the foreign market that the company seeks to penetrate, in this case the Dutch market. Although CMC is trying to be transparent, during the research several companies were suspicious because the company is partially owned by the Ghanaian government. However, no negative reports were found about CMC. As a matter of fact, the company is registered in many international organisations (example: ICCO) and works with companies that are registered in international sustainability programs. For this reason, it can be concluded that CMC meets the norm and values of the Dutch society regarding sustainability and child labour. To improve its image even further, CMC needs to be more involved in the farmer's life. For instance by providing more education and funds to expand the farmer's business. Those initiatives could be supported by the government or other NGO's. CMC also needs to improve its website, because it is the window through which outsiders can find information about the company. It needs to be clear and to contain important information to potential clients, such as year reports and customers list.

## **II. External analysis**

The external analysis is about the potential threats and opportunities, CMC might face in the European cacao industry. A survey was sent to many companies (See appendix no3). The results are revealed in this chapter. (See appendix no4).

### **1. DESTEP**

#### **Demographic factors**

The Netherlands is a relatively small country in Europe. Its capital is Amsterdam. With a population of 16 727 255 (CBS Bevolking, 2012), a land area of 41 543 km<sup>2</sup> (CIA library p. , 2011), the country is divided in twelve provinces. The four largest cities of the country: Amsterdam, Rotterdam, The Hague and Utrecht are called the Randstad.

#### **Ecological factors**

The Dutch population is very environmentally conscious, from solar energy to separating household waste. The government also has policies regarding the environment and demands from companies to make “green” products and use “green” production methods (CIA library G. , 2006). For this reason, more companies are changing their way of production in order to be as environmental friendly as possible. They also get involved with environmental organisations, which gives them a positive image (CIA library p. , 2011). Dutch companies do not just function on green energy, they oblige all their partners to use ecological production methods as well. This explains why the Dutch cocoa market is so strict to have only sustainable cocoa beans. The use of chemicals such as dangerous pesticides in consumable products is forbidden. Thanks to its quality control division and its seed production unit, CMC checks its products first before exporting it.

#### **Social-cultural factors**

The Netherlands is a multicultural society with many ethnic groups. This variety is due to migration, immigration and of course history. The country is well known for its tolerance towards foreigners, although recent events have challenged this affirmation. Like every other country, The Netherlands has holidays during which the consumption of chocolate is very high (example: Easter). But it also has a holiday called “Sinterklaas”, during which chocolate letters and other chocolate products are consumed.

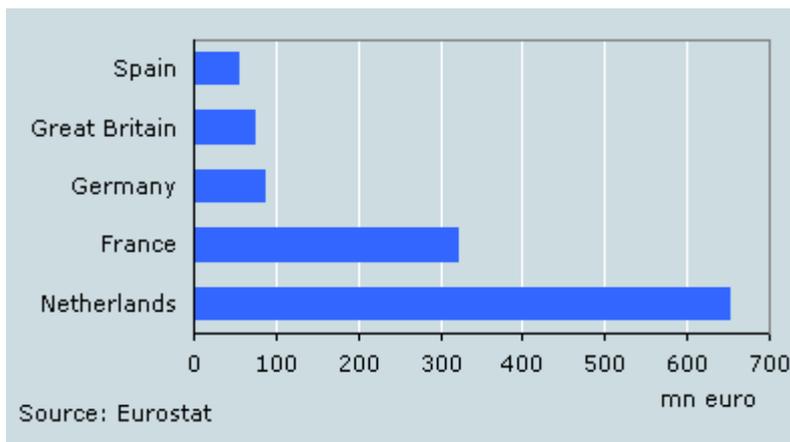
#### **Technologic factors**

As a modern country, The Netherlands has all the capacity to process cocoa beans. Every chocolate factory has the technology required to make a final product from a raw material. Social networks like Linked In and Twitter are really important in the business world. Linked In could help CMC to extend its network and search for new opportunities, while Twitter could be used to spread their message and

people could follow its activities. CMC could use social media to improve its image by showing itself as a sustainable company, organising educational events for the local farmers or joining other ecological movements. This could help them to persuade potential customers.

### Economic factors

Despite the economic crisis, the Dutch economy has known an economic growth of 1.1% in the last term of 2011 (CBS Economie, 2012). Many sectors were affected by the crisis. However, for this research only the cocoa industry is important and it does not show any big changes. The demand for



cocoa is still rising every year and chocolate is still produced at rapid pace (Dutch sustainable trade initiative, 2010). The cocoa industry is really important to the Dutch economy. The cocoa sector has an annual turnover of € 25 billion in The Netherlands and provides 10,300 hours of direct FTEs (Full-time

equivalents). The processing industry is number 1 in the world and accounts for 25% of the cocoa import in the world (idhsustainabletrade, 2011). The Netherlands is also the EU's largest producer of cocoa butter (Centraal Bureau voor de Statistiek, CBS, 2006).

### Political factors

As a constitutional monarchy, The Netherlands has had political issues in the past such as political parties not agreeing on forming one government. During this research, no documents were found that the politic situation affected the Dutch economy or the Dutch cocoa market. The Netherlands has many laws regarding sustainability and environmental friendly products. The Environmental Management Act (Wet Milieu beheer) is the Dutch law regarding this matter and it is a guide line for every company in The Netherlands (Overheid, NL, 2007). Another law, this time signed between the EU and developing countries, called Economic Partnership Agreements (EPAs), obliges CMC to respect the EU sustainability laws.

## 2. Customers

The objective of this market research is to find out if CMC could export in The Netherlands without going through another company. As mentioned in appendix no5, the number of cocoa used in The Netherlands and other European countries is rising every year. Which means that there is a market opportunity in Europe for CMC, especially in The Netherlands. CMC handles in the business to business world. Its customers are others companies, who will use cocoa or cocoa powder to produce a final product that will be consumed by the consumers.

### A. Sustainability program: UTZ Certified

UTZ is a sustainability program created in 2002. UTZ works with existing brands and manufacturers who need raw materials, such as coffee beans, cocoa beans and tea, on a large scale. Those raw materials are produced by farmers in developing countries. By increasing the sustainability of these raw materials, UTZ hopes to raise the living standard of farming communities. Big brands such as Albert Heijn, Nestle, Mars and Friesche Vlag are all members of UTZ.

How it works: When companies need a product (in large quantity of course), they contact trading companies who are also members of UTZ. The transaction is negotiated between the buyers (example: Mars) and the sellers (trading company). UTZ Certified does not interfere in price negotiations. The value added by UTZ, is the buyers insurance that their product was produced according to a standard baseline for responsible production, according to the UTZ Certified Code of Conduct (UCCC). Buyers recognise this extra value by paying a price premium for UTZ-Certified products (UTZ c. , 2012).

How producers get a UTZ certification: UTZ has trained agronomists who advise local farmers and teach them how to implement the UTZ CERTIFIED Code of Conduct. Afterwards, certification bodies (independent third-parties) conduct annual inspections on cocoa farms to determine if the products are made according the UCCC (UTZ c. , 2012).

**Overview of 100% commitments to source UTZ CERTIFIED Cocoa**

Company	Brand	Country	Target year for 100%
Ahold	Albert Heijn	Netherlands	2015 <sup>5</sup>
Arla	All	Denmark	2013
FrieslandCampina	Chocomel	Netherlands	2014
FrieslandCampina	Cécémel	Belgium	2014
Heinz Benelux	Koninklijke de Ruijter	Netherlands	2015
Nidar	All	Norway	2015

Source: Supply & Demand Report 2011 UTZ Certified (UTZ C. , 2011)

## B. Customer Group 1: Food companies

The first customer group consists of companies producing food containing cocoa beans or cocoa powder (candy, cereals, chocolate milk, etc). Those companies mostly get their cocoa supply from sustainability programs. By working with sustainability programs, companies have the guarantee to get sustainable products without any effort from their part. Sustainability programs buy cocoa from its partners and sells them to customers in The Netherlands and other European countries. During this research, all the companies that replied to the questionnaire (Appendix no 2) were coincidentally members of UTZ Certified, which is a well known sustainability program. Those companies are Nestle, Kraft Foods, Friesland Campina and Kellogg's. They responded rather positively to an eventual collaboration with CMC. However, they all had the same conditions: "With regard to sustainability we do not tolerate illegal child labour for the production of our products. Our company has specific requirements for its suppliers about these issues." (Kraft Foods, 2011). Kraft Foods, like the others, did not know that it could be already consuming products of CMC through their sustainability program UTZ Certified. UTZ is a partner of Armajaro Trading, which gets its products from CMC. So the issue those companies raised would have no negative effect on the potential collaboration between them and CMC.



Fig: II.2.B UTZ distribution channel

### C. Customer Group 2: Chocolate manufacturers

Another customer group consists of chocolate manufacturers. Chocolate manufacturers need larger amounts of cocoa than other food companies. This makes them the biggest potential clients for CMC. The chocolate manufacturers that participated to the questionnaire (Appendix no 2) are: Baronie, Chocolagendijk, Davinci-bonbons, Hellema chocolade, Penotti and Van Ham chocolaterie. Research showed that Baronie, Hellema and Penotti are interested in an eventual collaboration with CMC. Coincidentally 3 out of the 6 manufacturers are partners with UTZ Certified. This shows that UTZ Certified plays an important role in the distribution channel.

### D. Customer Group 3: Cosmetics manufacturers



Source: (Beauty works, 2008)

The use of cocoa in the cosmetics world has increase drastically over the last 10 years. Cocoa has good anti-aging properties. According to Dr. Bulidon, nutritionist at Royan thalassotherapy centre in the Gironde (France), cocoa contains polyphenols, which is one of the most important ingredients in anti-aging and anti cellulite products (Xavier, 2010). The demand is still rising and women are ready to pay any price to remain young. This branch rarely uses whole cocoa beans. They need cocoa powder or cocoa butter. For CMC, the demand of cocoa powder

could be interesting. During this research no statistics were found about the quantity of cocoa used in this industry. Sustainability has not been an issue for the cosmetics branch, because they purchase their products in the European market.

Unfortunately, the survey was only answered by customer group 1 and customer group 2. It showed that potential customers find sustainability, environmental consciousness and social responsibilities really important in the European cocoa market. During this market research, no information were found about other existing customers of CMC, except Armajaro Trading and Continaf B.V.

### 3. Industry – Cocoa market

#### A. World Cocoa Market

The cocoa market is regulated by ICCO (International Cocoa Organisation), which is supported by the UN. It is a global organisation, composed of both cocoa producing and cocoa consuming countries. However, a membership is needed to be part of this organisation. ICCO constantly follows and analyses the world cocoa market. According to ICCO's annual report of 2010, cocoa production has declined by 60,000 tonnes in Africa in the last 5 years. But the cocoa production in other continents is decreasing. That is due to the unstable political situation in the Ivory Coast. However, African producers still dominate the cocoa market. The world leader is the Ivory Coast, with 44% of the global market share (FAO, 2011). Ivorian cocoa companies could be CMC's biggest competitor (Annual report ICCO, 2010).

Grindings of cocoa beans (thousand tonnes)						
	2008/09		2009/10		Forecasts 2010/11	
<b>Europe</b>	<b>1446</b>	<b>41.3%</b>	<b>1494</b>	<b>40.4%</b>	<b>1561</b>	<b>40.8%</b>
Germany	342		361		410	
Netherlands	460		500		530	
Others	644		633		621	
<b>Africa</b>	<b>622</b>	<b>17.8%</b>	<b>685</b>	<b>18.5%</b>	<b>651</b>	<b>17.0%</b>
Côte d'Ivoire	419		411		340	
Ghana	133		212		250	
Others	70		61		61	
<b>America</b>	<b>780</b>	<b>22.3%</b>	<b>815</b>	<b>22.0%</b>	<b>846</b>	<b>22.1%</b>
Brazil	216		226		235	
United States	361		382		395	
Others	204		207		217	
<b>Asia &amp; Oceania</b>	<b>649</b>	<b>18.6%</b>	<b>704</b>	<b>19.0%</b>	<b>769</b>	<b>20.1%</b>
Indonesia	120		130		180	
Malaysia	278		298		300	
Others	251		276		289	
<b>World total</b>	<b>3497</b>	<b>100.0%</b>	<b>3698</b>	<b>100.0%</b>	<b>3828</b>	<b>100.0%</b>
<b>Origin grindings</b>	<b>1419</b>	<b>40.6%</b>	<b>1526</b>	<b>41.3%</b>	<b>1563</b>	<b>40.8%</b>

Source: ICCO Quarterly Bulletin of Cocoa Statistics, Vol. XXXVII, No. 3, Cocoa year 2010/11

Published: 26-08-2011

Fig II.3.a

#### B. The Dutch Cocoa Market

The Dutch cocoa market is not to be neglected. According to the European Cocoa Association (ECA), The Netherlands is the world's market leader for cocoa powder with a share of about 25%. It is also the largest importer of cocoa beans from the main cocoa producing countries, the Ivory Coast and Ghana. The Netherlands have a dominant role in cocoa trade and processing. Around 20% of the world's cocoa production is imported through the Dutch harbour in Amsterdam (Dutch sustainable trade initiative, 2010). Surprisingly only 5% of the gross imports of cocoa beans remains on the Dutch market for consumption. The rest is processed into another product (mostly chocolate) and exported to other European countries, which makes The Netherlands a net exporter of chocolate products.

### C. The distribution channel

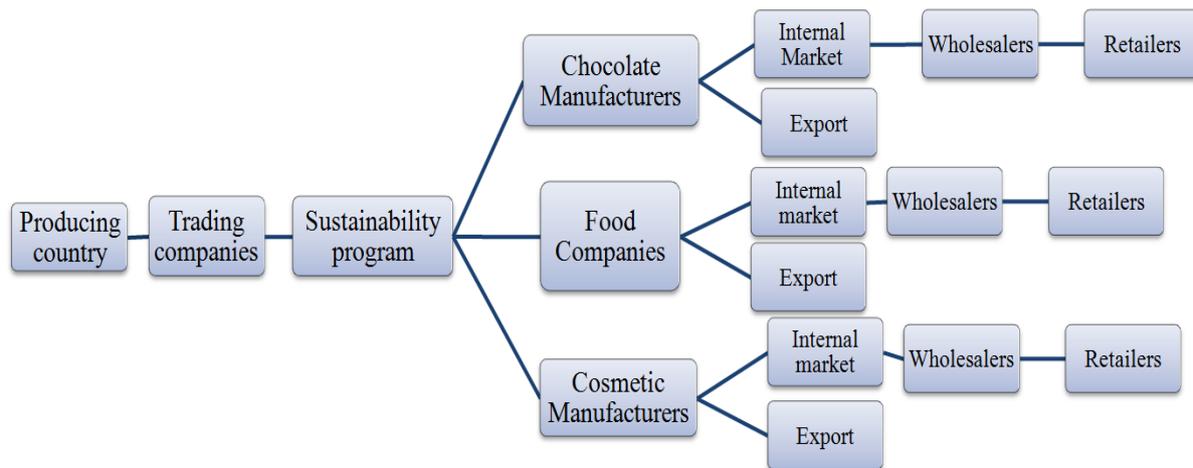


Fig. II.3.b Current distribution channel

The current cocoa distribution channel starts with producing companies selling their products to trading companies. The majority of these trading companies are big multinational companies. Trading companies then sell it either to other companies or to sustainability programs. According to the sustainable trade initiative (IDH), 83% of cocoa that is to be sold on the Dutch ground is done through UTZ Certified (the role of UTZ will be explained later on). The cocoa is then bought by chocolate manufacturers, food companies and cosmetic manufacturers (mostly cocoa powder). When each group has made their products, it is then sold on the market through wholesalers or other export companies. The pillars of this channel are the sustainability programs. They are the ones making the cocoa demand to trade companies and supplying the cocoa to other companies. In The Netherlands, the largest and important sustainability program is UTZ Certified.

### D. The role of UTZ Certified

UTZ Certified plays a key role in the Dutch (maybe even European) cocoa market. As the largest sustainability program in The Netherlands, its members are global market leaders (Nestle, Mars, Kraft food, etc). Its role is to provide products that are credible, with transparency on origins and proof of good practices. Companies could save time and money by buying directly from UTZ Certified, because they are guaranteed to get sustainable products without any form of effort on their part. UTZ buys products such cocoa, coffee and tea from trading companies. They make sure the products are sustainable and ready to be sold in the European market. For trading companies, UTZ is one of their biggest client. The cocoa distribution in The Netherlands mostly goes through UTZ.

## E. The Developments on the Dutch Market

### National committed demand for sustainable cocoa

Verkade	Verkade has committed to have all their chocolate products Fairtrade certified	FT: 1,500 MT (2010)	Bars and chocolate letters (2009); chocolate biscuits in the near future
CBL/Retailers	As a result of the 'Groene Sint Campagne', many retailers committed to source all or part (chocolate letters) of their chocolate products from sustainable sources	All labels: 1,000 MT* (2012) All labels: approx 5,000 MT (no date)	All chocolate letters (2012); working towards including more products/full (PL) assortment (no date)
Heinz	Has joined the UTZ platform	UTZ: 4,000 MT (no date)	Hagelslag
Friesland Campina	Has joined the UTZ platform	UTZ: ?	Chocolate milk and pudding
Baronie	Has committed to use UTZ cocoa in the manufacture of De Heer letters by 2010. 100% probably not feasible, as Baronie also needs UTZ cocoa in the manufacture of PL letters for others.	UTZ: 1,500 - 4,500 MT (2012)	De Heer seasonal products (letters) and some PL for others (retailers)
Swiss	All Swiss bars sold at AH will bear the FT mark from week 20 onwards.	FT: 600 MT (2010)	Swiss bars sold at AH

Fig. II.3.c: National committed demand for sustainable cocoa. Source: (Dutch sustainable trade initiative, 2010)

According to the “Sustainable Trade Initiative” (IDH), the demand for sustainable cocoa is rising every year in The Netherlands. Looking for public acknowledgment of their commitments for a better world, companies have joined sustainability programs such as UTZ Certified or Rainforest Alliance (RA) (Dutch sustainable trade initiative, 2010). On an European and international scale, the commitment to sustainable cocoa is even higher than the national scale (See appendix 6).

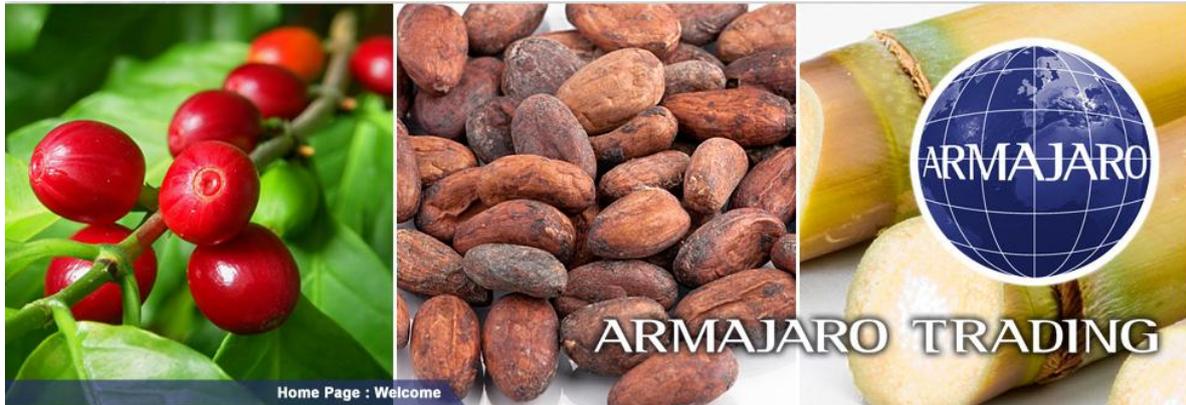
According to an article published on “MarketWatch.com” (Sahu, 2012), the European cocoa grindings have decreased during the first quarter of 2012 (See appendix no 7) . This is due to the recent civil war in the Ivory Coast. This information was given by the European Cocoa association (ECA), which represents two-thirds of Europe’s cocoa beans grinding. The ECA also predicts a better forecast during the next semester of 2012. Some of ECA’s grinding members are ECOM/Dutch Cocoa and Gerken's Cacao. Kraft Foods is one of its bean processors. In another article (Haddon, 2012), it is mentioned that the price of cocoa may rise due to lower output of top producer the Ivory Coast as well as a modest rise in global demand (See appendix no 6). However, the demand in Europe will not rise this year due to the weak economic outlook.

It can be concluded from both articles that the demand for cocoa in other parts of the world (especially Asia) is rising. That does not automatically mean that Europe will be losing in the cocoa market. It would rather mean a bigger opportunity for European exporters, due to fact that most contracts in Africa are made with Western companies and not Asian companies. European exporters could have a bigger market in Asia.

#### 4. Competitors

Cocoa producers outside Africa are in no aspect competitors of CMC, because of the different tastes of their products. West-African cocoa has a deep and classic cocoa flavor, which makes of any other company importing from the same region (the Ivory Coast, Nigeria, etc..) a competitor of CMC. For this research, the companies selected as potential competitors were those who are already working with Dutch sustainability programs and are established in Ghana.

##### A. Armajaro Trading Limited (ATL)



Source: (www.armajarotrading.com, 2012)

The first and biggest company is Armajaro Trading Limited (ATL). It is a world leading supplier of cocoa beans. Its office in Ghana is a partner of UTZ Certified and it is the main importer of cocoa from Ghana to The Netherlands (UTZ c. , 2012).

Strengths: As a global company, ATL has a larger network, more experience and probably more credibility. The company is present on every continent in the world, which means that they can supply different types of cocoa if necessary. Unfortunately, CMC can only supply cocoa from Ghana. The company also owns its own boats and its own trucks. It can monitor the transport of the cocoa more efficiently, while CMC works with transport companies. That can create some delay in the delivery of CMC's products.

Weaknesses: As a link between exporters and manufacturers, ATL has no contact with local farmers, while CMC is in direct contact with them. Important decisions are only taken with the farmer's consent. ATL already works with CMC. However, if CMC succeeds in exporting its products directly to the customers or to a sustainability organisation, then they would definitely become competitors. The biggest disadvantage for CMC is the fact that Armajaro Trading already knows their weaknesses and can use that against them.

## B. Wienco

Source: (Abrabopa, 2010)



The second potential competitor is Wienco. It is an agricultural company, which is jointly owned by Dutch and Ghanaian shareholders. Wienco sponsors many farmers and agricultural projects through their subsidiary company “Cocoa Abrabopa Association (CAA)”, using a credit scheme to improve farmers life (Wienco, 2012). Wienco also produces other products such as maize grain for household consumption. It is also involved in the poultry and brewing industries. The company even made a deal with the Ghanaian government in 2010 to handle the purchase of all cotton seed produced under the aegis of the Ministry of Trade and Industry Cotton Support Program (Deputy Minister Ayariga, 2010). During this reserach, no information were found about the company’s finances.

Strengths: This company is well known in Ghana for its involvement in the society. By being involved in the local farmer’s life, providing education and giving them opportunities to improve their business, Wienco was mentionned in several Ghanian and international pressarticles. For example in 2012, the company sended farmers to Guinea-Equatorial to watch the African Cup of football (VibeGhana, 2012). CMC on the other hand is more commercial. It is true that GCB also organises events for farmers, but nothing to this extend.

Weaknesses: Wienco has the same weaknesses as ATL. As a big multinational company, they do not have the same contact that CMC has with local farmers.

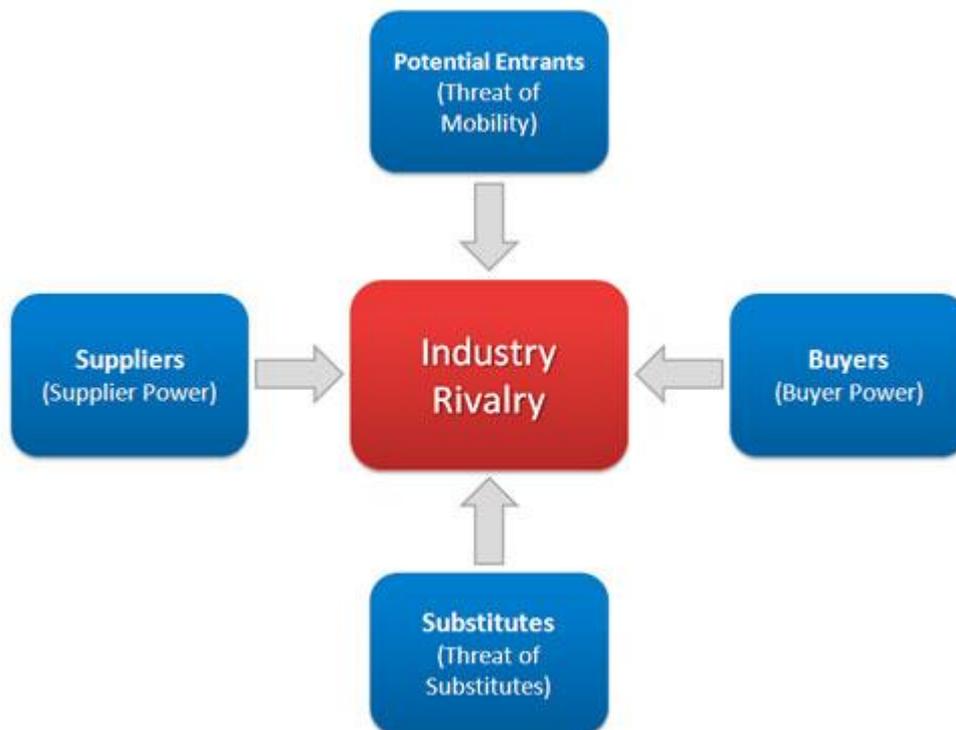
## C. Others: Small companies and Programs

Other competitors are small companies and projects such as DIABY cocoa farmers, Yagra Glover and AHANSUCOFA, which are strong farmer’s associations. According to “Think Ghana”, these associations were created with the encouragement of the West Africa Fair Fruit (WAFF) by promoting UTZ-Certified code of conduct to enhance the capacity of farmers to produce cocoa in a more environmentally, sustainable, economical viable and socially responsible manners (B&FT, 2011). The fact that they are small does not make them less dangerous for CMC.

Strengths: They are supported by many NGO’s both in Africa and in Europe.

Weaknesses: They are not as influential as CMC in Ghana. Important decision about cocoa in Ghana are taken by GCB.

## 5. 5 Forces of porter



F.II.5: Forces of Porter . Source: (Desk, 2009)

### Threat of substitutes

The threat of substitutes is very low, because cocoa does not have a substitute.

### Threat of new entrants

Any new farmer in Ghana can become a member of GCB (CMC) or a member of another organisation (Fair trade). GCB has a lot of influence and decides on the price of cocoa in Ghana. However, farmers are not obliged to join GCB. This is why the chance of new entry is high, considering the fact that foreign NGO's are helping more local farmers to start their own businesses and organisation. More farmer association means more threat for CMC. Customers will have more options, especially because all West- African cocoa taste the same. However, new entrants can hardly compete with the existing market leaders outside Ghana. The chances for customers to entry the market is very low, probably because of the many (sustainability) regulations and costs. But also because Ghana has centralised its cocoa export, which makes it almost impossible for customers to become a producer. By staying out of the cocoa production, customers get a high quality and sustainable product without making any effort.

### **Industry Rivalry**

The rivalry level in Ghana is very low, but the level of competition outside Ghana is really high. For instance: GCB is the largest farmer association in Ghana. Other associations are in insignificant number compared to GCB. However, to export cocoa into The Netherlands, CMC has many trading companies as rivals. They are bigger and more influential than CMC. Sustainability programs only trust a certain number of companies, for this reason every company does its best to be as transparent and reliable as possible.

### **Suppliers:**

Most customers stay with their usual supplier, because of the trust relation they have. CMC has no supplier, but it is the supplier of Armajero Trading and Continaf B.V. Suppliers (like CMC) do not have any influence on their clients (Armajero Trading), because there always are other suppliers ready to deliver the same product.

### **Buyers:**

Buyers are no threats for the cocoa producers. Thanks to the national cocoa regulation in Ghana, only Ghanaian farmers can produce and sell cocoa in Ghana. Buyers like trading companies have to go through CMC or another association to buy cocoa.

## **6. Threats and Opportunities Analysis**

### **Threats**

- As an agricultural product, cocoa can be obtained in many other countries and especially in the neighbouring country the Ivory Coast.
- European Union regulations: EU policy on import could be a serious obstacle.
- The high competition level.

### **Opportunities**

- Increase for sustainable cocoa demand.
- More companies are joining sustainability programs.
- So far cocoa industry immune to economic crisis.

## **7. Conclusion**

The Netherlands is definitely the suitable country for CMC to export into. Not only its products are already successfully consumed (via Armajero Trading) in The Netherlands, but the Dutch harbour makes it easier to reach their destination. Cocoa is used abundantly in The Netherlands (see Fig II.3.b, page 16). The cocoa industry is not accessible to any cocoa farmer. To be able to export its products, a company needs to be a member of a sustainability program (UTZ Certified), because almost all the potential customers are members as well. This leads to conclude that a sustainability program could be the best distribution channel. As an official member of the International Cocoa organisation (ICCO) and the Cocoa Merchants Association of America (CMAA), CMC has already proven to be a democratic, fair and child labour free organisation. International companies involved in the cocoa bean trade and processing could also be potential customers. Their association, the European Cocoa Association (ECA), represents two-thirds of Europe's cocoa beans grinding companies. Since cocoa based products are really popular in other parts of Europe, it could be possible for CMC to have more potential customers in those countries as well. CMC's potential competitors are big multi-national companies, which already have good reputations in the cocoa industry. That does not make it impossible for CMC to compete with them. The fact that the Ghanaian government has a share in the company, could be interpreted as a good initiative and differentiate CMC from other companies.

### III. The EU Regulations

The European Union is the world's largest single market and has many policies to regulate its internal market. It has also made agreements with several countries in order to facilitate the import of many raw materials. Through those policies and agreements, the EU is protecting its market against foreign producers. However, those measures have positive and negative impacts on foreign export companies.

#### 1. The Economic Partnership Agreements (EPA)



To help developing countries, the EU has signed the Economic Partnership Agreements (EPA) in Cotonou with ACP countries (African, Caribbean, Pacific) in 2000 (ECIPE, 2007). EPA allows African countries (and other countries) to import several type of raw materials without paying taxes. For instance, CMC would not have to pay any import duty while importing cocoa beans in the EU. This can be a big advantage for CMC. EPA also emphasizes the fact that there is no quota on those raw materials being imported into the EU. The EU's free movement of goods policy opens a big market to anyone importing into Europe. CMC can sell its products to other European companies without paying any additional taxes. The EU has many laws forbidding the sale of products produced in illegal conditions such as child labour and the use of dangerous chemicals. Child labour especially is an important issue to the United Nations and UNICEF. By making laws against child labour, the EU is eliminating potential competitors of CMC wanting to export into Europe.

EPA also has negative consequences for ACP countries. According to several organisations and social movements such as Oxfam, EPA will cause many problems to ACP countries due to the fact that European companies have full access to ACP market. This makes it difficult for ACP countries to defend their agriculture sector against subsidised EU agriculture companies (Koperattiva Kummerç Ğus, 2009). This can lead to more unemployment, because ACP companies will not survive the competition. According to Aminata Traoré, a spokesperson of the Forum For Another Mali: *“There is a close connection between EPA and immigration. By destroying the workplaces of many young people, it creates new reasons to migrate.”* (Tinette Schnatterer, 2008). Many changes were pointed out by African and European social movements. An example: in Mali, a country where there is a cow at every street corner, it is nearly impossible to buy milk. Instead, people have to buy cheaper milk powder from Nestlé (Tinette Schnatterer, 2008).

## 2. Barriers

The EU has a customs tariff database called TARIC (Integrated Tariff of the European Communities), which shows every measures relating to tariff, commercial and agricultural legislation.

“Tax policy in the European Union (EU) consists of two components: **direct taxation**, which remains the sole responsibility of Member States, and **indirect taxation**, which affects free movement of goods and the freedom to provide service.” (EU, 2012)

### A. Economic barriers

#### Import Tariff – Direct taxation

Every company importing inside the EU has to pay import duties. The percentage depends on the product, the quantity and the country of production. However, if the cocoa beans are processed at any rate (for instance into cocoa powder), companies will have to pay 7.70% third country duty and 4.20% general duty (TARIC, 2012). CMC has to pay more taxes for cocoa powder, which leads to a higher price and a disadvantage against the Dutch competition. EPA only concerns raw materials. It was made to help ACP countries, but not at the expense of European companies.

CHAPTER 18 COCOA AND COCOA PREPARATIONS	CHAPTER 18 COCOA AND COCOA PREPARATIONS
<b>1801 ▼</b> Cocoa beans, whole or broken, raw or roasted	<b>1804 ▼</b> Cocoa butter, fat and oil
ERGA OMNES (ERGA OMNES)	ERGA OMNES (ERGA OMNES)
→	→
Third country duty (01-07-2000 -) : <b>0 %</b>	Third country duty (01-07-2000 -) : <b>7.70 %</b>
Economic Partnership Agreements (EPA)	Economic Partnership Agreements (EPA)
→	→
Tariff preference (01-01-2008 -) : <b>0 %</b>	Tariff preference (01-01-2008 -) : <b>0 %</b>
	GSP (R 08/732) - General arrangements (SPGL)
	→
	Tariff preference (01-01-2009 - 31-12-2013) : <b>4.20 %</b>

Source: (eutaxation, 2012)

#### Quota

By establishing a maximum import quantity of materials into its territory, the EU can protect its local producers, avoid dumping and most importantly control the price of the goods. By controlling the quantity, the goods automatically become more expensive, which means more taxes. This measure can affect CMC's import of cocoa powder.

Value added tax (VAT) – Indirect taxation

VAT is calculated on the value of the goods, plus the international shipping costs and insurance and finally plus any import duty due. The standard VAT rate for importing goods into The Netherlands is 19% of the total value (CBS Economie, 2012). VAT is paid by every Dutch company. However, Dutch companies gain it back by including 19% VAT on their total product price: the consumer pays the 19% VAT.

**B. Other barriers: Corporate income tax – VAT/wage tax**

For CMC to be able to export directly, it will need an office in The Netherlands. The office in London is an office from which no business activities are conducted. To establish an office in The Netherlands, there are many procedures and also many taxes to be paid. The first step is to register at the Chamber of Commerce (Kamer van Koophandel – KvK). Afterwards the company will receive a legal company number. Based on that legal company number, the tax authorities will determine whether CMC should be registered for corporate income tax purposes, VAT and/or wage tax purposes. CMC will not have to pay corporate income tax, because of the tax treaties concluded with The Netherlands on November 12<sup>th</sup>, 2008 (Tax Consultants International, 2010). CMC will have to pay VAT and income tax in The Netherlands.

### **3. Conclusion**

#### **A. Opinion on EPA**

The opinions about EPA are divided. Official documents speak about the effectiveness and the advantages of EPA. However, some people living in those countries are not happy about it. Cheap European and Chinese products have takeover the African market and many local producers are suffering. During this research, no official papers were found about this issue, but that does not make it inexistent. My personal opinion is that ACP countries are being duped. They signed an agreement to sell raw materials that are not available on other continents. It looks like they were convinced that in order to sell those products, they need to open there market to foreign companies. That it should be an exchange between both parties. I believe that it is not the case, since those raw materials are only available in ACP countries. Europe has no choice than to buy it from them, with or without agreement. Normally ACP countries should have the upper hand and not be “coerced” to sign any agreement. Except for civil organisations, no governmental institution has commented on this issue.

#### **B. Effect on CMC**

Some EU policies prevent CMC to export directly into Europe. If CMC decides to export directly into Europe, the company will have to pay VAT and potential import taxes and that will increase its costs. Not to forget that CMC is already paying export taxes in Ghana. European importers pay less taxes than foreign importers. CMC will have a big disadvantage compare to its big international competitors.

The policies also prevents CMC to be part of the European cocoa market. Once the shipment (cargo) arrives at the harbour, CMC does not play any role afterwards. The company uses “Cost, insurance, and Freight (CIF)” shipments, which means that CMC pays for the insurance and freight but its responsibilities end at the harbour. Sometimes CMC also does “Free on board (FOB)” and “Cost and Insurance (C&I)” shipments. In all those cases, CMC’s responsibilities are the shipment and delivery of the goods, taking care of the export formalities in Ghana and the transfer of risks to the buyer at delivery or when goods pass the ship’s rail (Global database, 2000). To export directly, CMC will need an office in The Netherlands to be able to do more than taking care of the logistic, but also to negotiate and do business directly in The Netherlands.

CMC is not a multi-national company. The capital that trading companies and other export companies have, is not available to him. CMC can take the risk to export directly. However, it will need to take care of its distribution channel first.

#### IV. SWOT analysis

SWOT analysis is a comparison between strengths and weakness in the internal analysis to the opportunities and threats in the external analysis. It allows CMC to improve itself and its strategy.

##### 1. SWOT matrix

<p style="text-align: center;"><b>Internal</b></p> <p style="text-align: center;"><b>External</b></p>	<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>- S1 - Internal structure and coordination</li> <li>- S2 - Democratic backgrounds</li> <li>- S3 - Representatives in Europe</li> <li>- S4 - Shipment Cost, Insurance and Freight (CIF)</li> <li>- S5 - virus disease control unit</li> <li>- S6 - Sustainable</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>- W1 - Semi public/ semi private company</li> <li>- W2 - Website not transparent for visitors</li> <li>- W3 - No much effort in marketing</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>- O1 - Increase of sustainable cocoa demand</li> <li>- O2 - More company are joining sustainability programs</li> <li>- O3 - So far cocoa immune to economic crisis</li> </ul>	<p>S + O = GROWTH</p> <p>This allows CMC to grow. It could get more market share and more profit in The Netherlands and even in Europe. Strategy: CMC needs to use its strengths to take advantage of the opportunities.</p>	<p>W + O = IMPROVEMENT</p> <p>This allows the company to improve itself. Strategy: CMC needs to use its opportunities to overcome its weaknesses.</p>
<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>- T1 - Product that can be obtained other countries</li> <li>- T2- EU regulations</li> <li>- T3 - The high competition level in The Netherlands</li> </ul>	<p>S + T = DEFENSE</p> <p>This allows the company to defend itself against external threats. CMC does not have to adapt its product to respect EU regulations. It is already sustainable. Strategy: CMC has to take advantage of its strengths to avoid potential threats.</p>	<p>W + T = RETREAT</p> <p>When these factors strike a company at the same time, it could lead to bankruptcy. Strategy: CMC has to minimize its weaknesses and avoid threats.</p>

Fig. IV.1: SWOT Matrix

## 2. Confrontation matrix

	O1	O2	O3	T1	T2	T3	+	-
S1	+	+	+	+	+	+	6	0
S2		+		+	+	+	4	0
S3	+	+		+	+	+	5	0
S4	+	+	+	+			4	0
S5	+	+		+	+		4	0
S6	+	+	+		+	+	5	0
W1		-		-	-	+	1	3
W2	-			-	-	-	0	4
W3		-		-		-	0	3
+	5	6	3	5	5	5	29	
-	1	2	0	3	2	2		10

Fig IV.2: Confrontation Matrix

## 3. Conclusion

It can be concluded from the SWOT analysis and the confrontation matrix, that the strengths and opportunities are more significant than the weaknesses and threats. Of course efforts and changes have to be made by CMC to achieve its goals. The first strategy to adopt is to put its strengths forward and to improve its weaknesses. Having a democratic structure is really important, because potential customers have expressed their concern about the fact that the Ghanaian government has a share in the company. By improving its weaknesses, CMC will attract more customers. Customer relation management is one of the most important factor in the business world. Opportunities can come at any moment, but CMC can also try to create its own opportunities by expanding its network. To do that it will have to be present and active during events regarding the Dutch cocoa industry. Threats will always be present and it will not be possible to avoid them at all time. CMC will have to take them into account and use its best assets to face them.

## V. Market Entry

In this chapter, the strategies CMC can adopt to enter the Dutch market and sell its products are discussed. Because CMC is exporting indirectly, it will be more advantageous for CMC to have strategic alliances. However, research showed that the Dutch cocoa market is monopolised by sustainability program UTZ Certified. Which makes it an important strategic alliance.

### RISK & CONTROL IN MARKET ENTRY

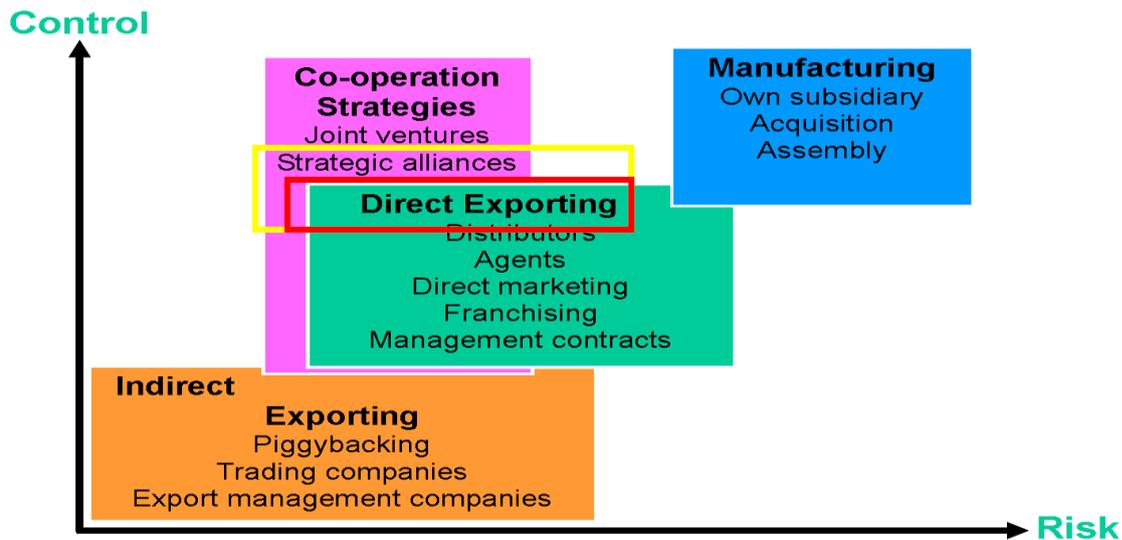


Fig V: Risk & Control in market entry

#### 1. Entry strategy

For CMC to be successful, it needs to make a co-operative strategy to enter the Dutch cocoa market. Alliances are co-operation in which both parties have interests. By associating itself with well known and respected big companies, it could expand its opportunities in the cocoa market. Possible alliances for CMC in The Netherlands are UTZ Certified, Sustainable Trade Initiative and Rainforest. The reason therefore is the fact that companies rely on sustainability programs to buy raw materials. These are the steps that needs to be taken if CMC wants to have a successful strategic alliance with another company or organisation:

- Strategy development: Plan of action with the focus on the common objectives.
- Partner assessment: Analyzing the potential partner.
- Contract negotiation: Define each party's contribution and making rules.
- Alliance operation: Carry out the co-operation.
- Alliance termination: Closing the alliance after achieving objectives or if objectives could not be achieved.

There are four types of strategic alliances: equity strategic alliance, joint venture, global strategic alliances and non-equity strategic alliance.

#### **A. Equity Strategic alliance**

This is an alliance between two or more companies, which own different percentages of the company they have created. This new company is formed by combining some of their resources and capabilities to create a competitive advantage (Dyer, 2001).

#### **B. Joint venture**

This is a strategic alliance in which two or more companies create a legally independent company. In this new company, they will share some of their resources and capabilities to develop a competitive advantage (Dyer, 2001).

#### **C. Global strategic alliances**

This is a working partnerships between companies (two or more) across national boundaries and increasingly across industries, sometimes formed between company and a foreign government, or among companies and governments (Dyer, 2001).

#### **D. Non-equity strategic alliance**

This is an alliance in which two or more firms develop a contractual-relationship to share some of their unique resources and capabilities to create a competitive advantage (Dyer, 2001).

#### **E. Conclusion**

The nature of the products involved makes it difficult for other companies to add any value or resources to it. The products are raw materials that have not been processed and CMC does not want to be involved in the production of the final products. The aim of this market research is to find out how CMC can have successful market opportunities in The Netherlands without passing through another company. These factors eliminates automatically joint venture, equity strategic and non-equity strategic alliance. What CMC needs, is a partnership with an organisation in order to have the necessary network to extend its opportunities. In this case it could have a partnership with UTZ Certified, which will definitely extend its network and opportunities. For these reasons, it can be concluded that the global strategic alliance the best option is for CMC with UTZ Certified as partner.

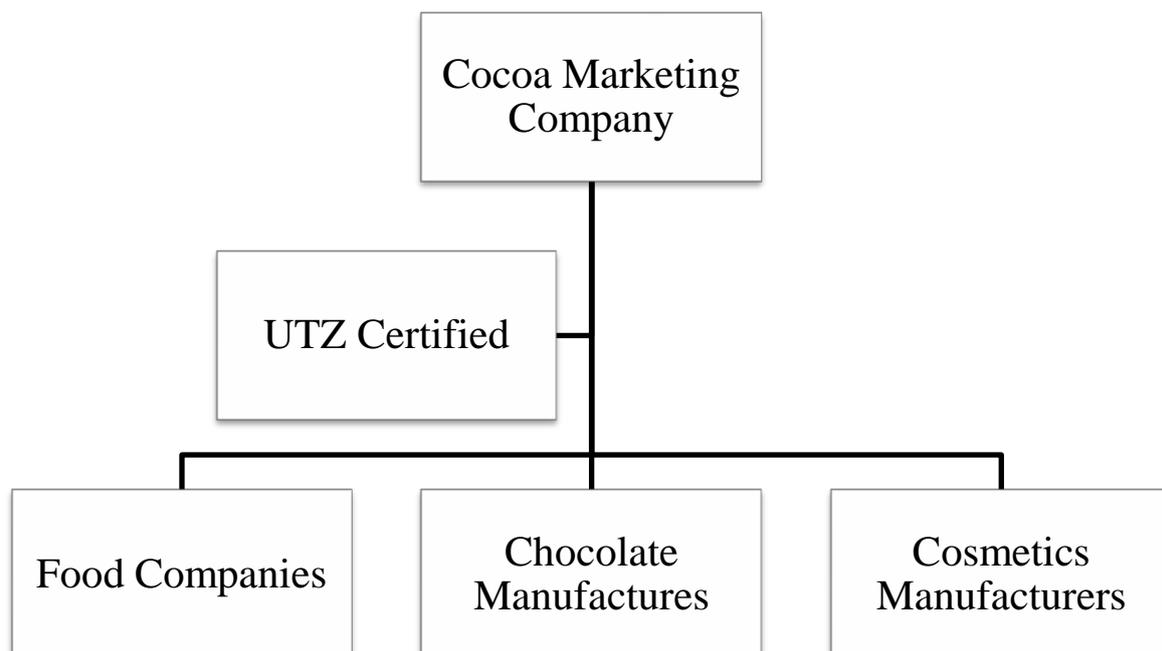
## 2. Distribution Channel

### First become a member of UTZ:

The potential customers of CMC are all members of a sustainability program. For this reason, sustainability programs, especially UTZ Certified, will play a key role in CMC's direct exporting plans. To become a member of UTZ, farmers of GCB will have to follow UTZ Certified's Code of Conduct (UCCC). Afterwards there will be external audits to control if UCCC is being followed. Many other evaluations will follow before CMC will be accepted. When CMC becomes a member of UTZ, it will have free access to other member's data. That means that other companies can also contact CMC if they need its products.

### Distribution:

Once the farmers have assembled and sold their products to CMC, their products will be on the market to be sold and exported. CMC could then contact or be contacted by a member of UTZ. To respond to the demand, CMC will need an office and storage facilities for their stocks in The Netherlands. By owning its own trucks, CMC can save time and money for transport.



## **VI. Conclusion**

It can be concluded that CMC has all it takes to become successful in the Dutch market. The fact that the government has a share in the company and the fact that no negative reports were written about it, proves that African government can help their farmers if they really want to.

It can also be concluded from this market research, that there are market opportunities for CMC in The Netherlands. However, many changes need to happen before CMC could export directly into The Netherlands. The first change will be to win the trust of European companies. European companies need the insurance that the products they are getting are sustainable. This is due to their public responsibilities and European laws, which impose the use of sustainable materials. European companies do not want to waste time or money controlling their suppliers, neither do they want to be held responsible if anything goes wrong. This is why it is much easier for them to join a sustainability program, where they know that all members have already been cleared. It is imperative for CMC to become a member of one those programs, especially UTZ. UTZ Certified has an important position in the Dutch market. Apparently UTZ has the power to decide who is in and who is out, by being selective during their membership admission. The question that this method raises is: "Is UTZ Certified as neutral as it presents itself? Is its screening method reliable?".

EPA was signed by the Ghanaian government. Thankfully, the Economic Partnership Agreements do not have a direct influence on the cocoa market (yet!), but it will definitely have an impact on other sectors in APC countries. It could have a repercussion on the local population's daily life and more people would want to enter the cocoa industry. This could have an impact on the cocoa price, although it is regulated by GCB. The more people join CMC, the bigger it gets. However, new farmers could join other associations and that could be a threat to CMC. The European Union will have to offer more than EPA to give equal chances to African companies in the global market.

After a thorough analysis of all these factors, I can confidently conclude that CMC cannot overcome the European barriers without political interventions. Changes have to be made in the agreements both continents signed. Exporting directly is always a challenge for companies. CMC can have a successful market opportunity. However, it has to play by the rules and join sustainability program UTZ Certified. Without UTZ, CMC might not have enough customers to make its initiative successful.

## VII. Recommendation

I recommend that the Cocoa Marketing Company prepare itself before exporting directly. Companies would want to do business with a stable, transparent and capable company. Adequate staff training will be required because dealing with trading companies and dealing directly to customers are two different approaches. No information could be found about CMC's finances. It may be possible that CMC would need financial support (a loan to the bank or government help) to start Direct export. To obtain financial support, CMC will need a marketing strategy to attract the potential customers. To join UTZ Certified, CMC will have to make sure that the UTZ Certified Code of Conduct (UCCC) is respected by the farmers. It will have to be prepared for inspections inside CMC itself. When made a member of UTZ, networking will be very important for CMC. Customer relation management will become a big necessity to them. It is important for CMC to use social networks to improve its image.

Before engaging itself into this, I advise CMC to make sure that the Ghanaian government has a different agreement with the European Union than EPA. That will be a real challenge because the EU is more influential and powerful than the Ghanaian government. However, until another agreement is signed, CMC's opportunities will be limited to raw cocoa beans. Any other form of cocoa such as cocoa powder will be too expensive to compete with Dutch producers.

CMC has a long way to go, but nothing is impossible. If they proceed slowly but carefully, CMC can accomplish its goal of becoming a reliable and successful cocoa exporter on the Dutch and maybe European market.



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## IX. Appendix

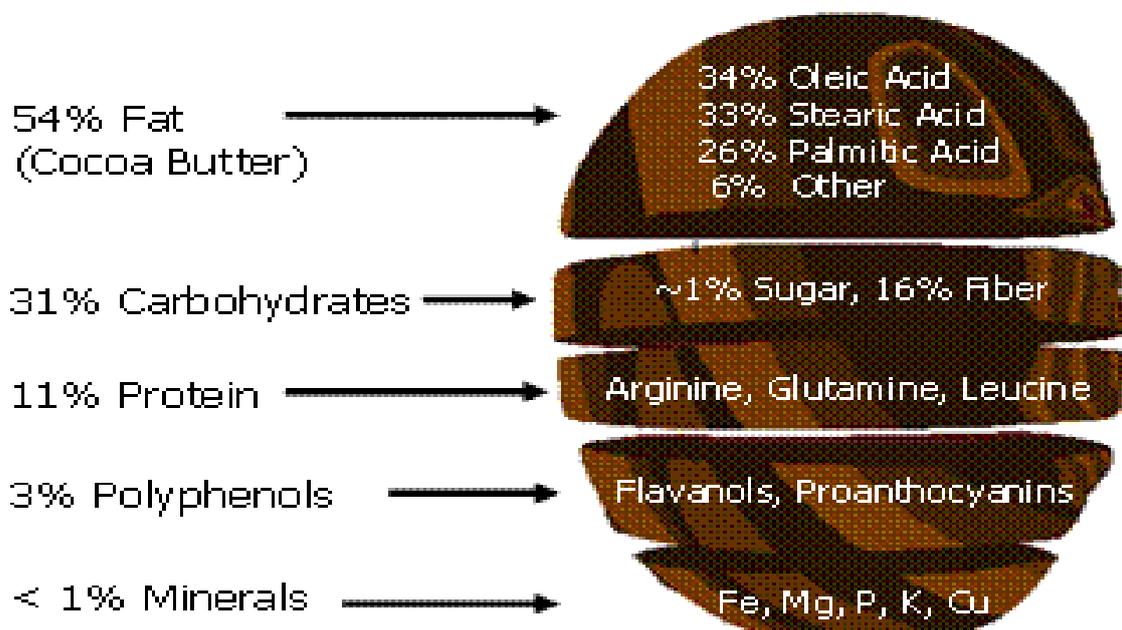
### Appendix 1: Import rate Cocoa in The Netherlands

Cocoa product	Gross imports	Gross exports	Net imports
Beans	652,726	163,331	489,395
Butter	75,247	209,440	-134,193
Powder and cake	26,288	218,401	-192,113
Paste/liquor	48,960	110,485	-61,525

*Gross imports, gross exports and net imports of cocoa products in the Netherlands in tonnes (ICCO, 2007/08)*

### Appendix 2: Cocoa bean

## What's in the cocoa bean?



Source: <http://www.superaffiliatelab.com>

### **Appendix 3: Survey**

The following companies responded to the survey: Nestle, Kraft Foods, Friesland Campina and Kellogg's.

The following chocolate manufacturers: Baronie, Chocolagendijk, Davinci-bonbons, Hellema chocolade, Penotti, Van Ham chocolaterie.

Question 1:

Is your company satisfied with its current cocoa supplier or would you be interested in a new supplier?

Question 2:

Are you familiar with the Ghana Cocoa Board? Or CMC?

Question 3:

You company would be interested in the cocoa of CMC?

Why yes or why not?

Question 4:

If yes, to what extent is your company willing to work with CMC?

Question 5:

What are the most important factors?

1. Price
2. Product (quality)
3. Company credibility
4. Delivery time
5. Sustainability
6. Other

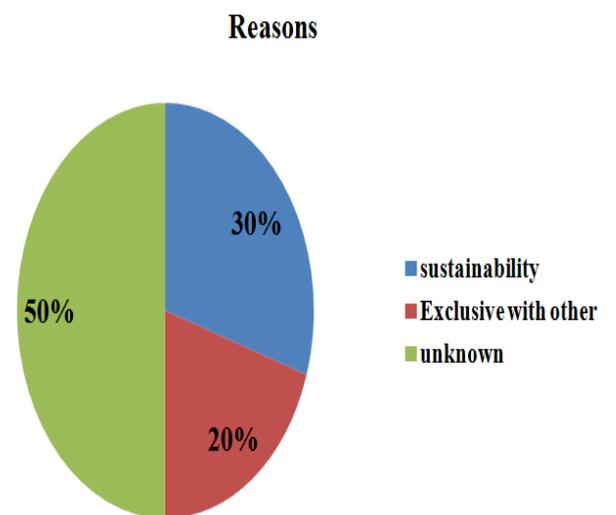
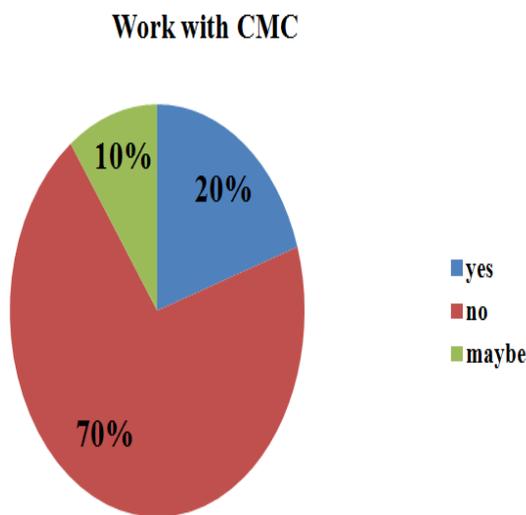
Question 6:

Is your company a member of a sustainability program?

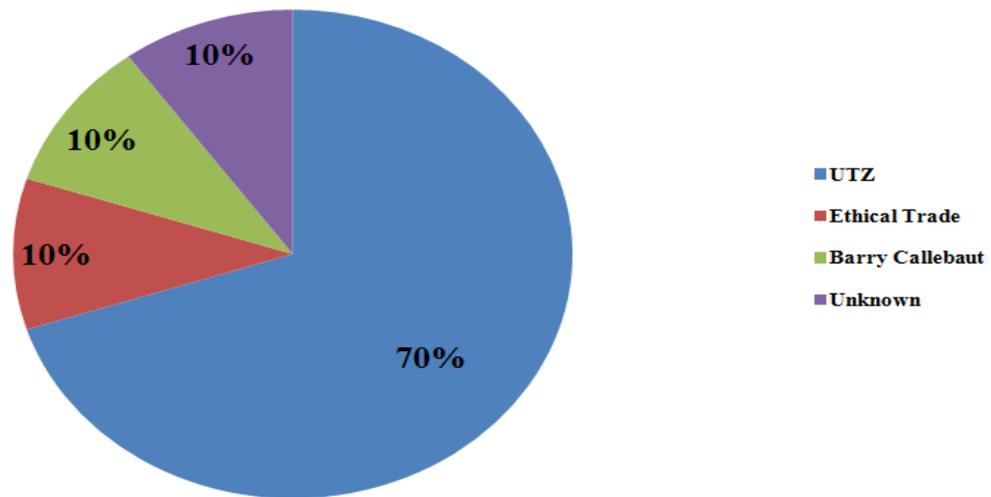
If yes, which one

**Appendix 4: Results**

	A	B	C	D	E	F	G	H	I
1	Company	satisfaction	Familiar with CMC	Work with CMC	Reasons	Imp. Factors	sustainability	Program	
2	Baronie	yes		maybe		Delivery	yes	utz	
3	Chocolagendijk	yes		no	asia	Quality	Yes	Ethical trade	
4	Davinci-bonbons	yes		no	exclusief for ba	Credibility	Yes	Barry Callebaut	
5	Friesland Campin	yes	no	no		Credibility	Yes	utz	
6	Hellema chocolac	yes		yes		Price	Yes	utz	
7	Kellogg's	yes	no	no	Utz	Sustainability	Yes	utz	
8	Kraft Foods	yes	yes	no	Utz	Sustainability	Yes	utz	
9	Nestle	yes	no	no	Utz	Sustainability	Yes	utz	
10	Penotti	yes		yes		Price	Yes	utz	
11	Van ham chocola	yes		no			Yes	unknown	
12									
13									
14									



### Sustainability Program



Contactnummer: 1051023

Geachte mevrouw Keita,

Hartelijk dank voor uw email van 02-12-11 over Chocomel.

Chocomel werkt samen met UTZ Certified.

Met vriendelijke groet,  
FrieslandCampina ConsumentenService

Your contact : Miriam van Esveld  
Date : 2011-12-06

Dag Mariam,

Je informeerde ons over het onderwerp voor jouw scriptie.

We laten je weten, dat we geen prioriteit kunnen geven aan het beantwoorden en analyseren van de vragen die je ons stelt.

Ten aanzien van duurzaamheid duldt Kraft Foods geen onwettige of ongedwongen kinderarbeid voor de productie van onze produktent. Kraft Foods stelt daarover specifieke eisen aan haar leveranciers.

Verder kunnen we je laten weten, dat we werken met certificatie systemen zoals Fairtrade, Rainforest Alliance voor produkten zoals cacao bonen en werken we met externe partners aan projecten die het leven van de cacao boeren en hun families moeten verbeteren.

We vertrouwen erop dat je begrip hebt dat we niet specifiek ingaan op je vragen en dat we je met onze informatie over duurzaamheid van dienst zijn.

Met vriendelijke groeten,

Kraft Foods Nederland B.V.  
Consumentenvoorlichting

**Appendix 5: Cocoa grindings in The Netherlands and the rest of the world**

<b>Grindings of cocoa beans (thousand tonnes)</b>						
	<b>2008/09</b>		<b>2009/10</b>		<b>Forecasts 2010/11</b>	
<b>Europe</b>	<b>1446</b>	<b>41.3%</b>	<b>1494</b>	<b>40.4%</b>	<b>1561</b>	<b>40.8%</b>
Germany	342		361		410	
Netherlands	460		500		530	
Others	644		633		621	
<b>Africa</b>	<b>622</b>	<b>17.8%</b>	<b>685</b>	<b>18.5%</b>	<b>651</b>	<b>17.0%</b>
Côte d'Ivoire	419		411		340	
Ghana	133		212		250	
Others	70		61		61	
<b>America</b>	<b>780</b>	<b>22.3%</b>	<b>815</b>	<b>22.0%</b>	<b>846</b>	<b>22.1%</b>
Brazil	216		226		235	
United States	361		382		395	
Others	204		207		217	
<b>Asia &amp; Oceania</b>	<b>649</b>	<b>18.6%</b>	<b>704</b>	<b>19.0%</b>	<b>769</b>	<b>20.1%</b>
Indonesia	120		130		180	
Malaysia	278		298		300	
Others	251		276		289	
<b>World total</b>	<b>3497</b>	<b>100.0%</b>	<b>3698</b>	<b>100.0%</b>	<b>3828</b>	<b>100.0%</b>
<b>Origin grindings</b>	<b>1419</b>	<b>40.6%</b>	<b>1526</b>	<b>41.3%</b>	<b>1563</b>	<b>40.8%</b>

*Source: ICCO Quarterly Bulletin of Cocoa Statistics, Vol. XXXVII, No. 3, Cocoa year 2010/11*

*Published: 26-08-2011*

**Appendix 6: International commitment demand to sustainable cocoa**

<b>International committed demand for sustainable cocoa</b>			
<b>Company</b>	<b>Commitment</b>	<b>Certification &amp; Quantity</b>	<b>Products</b>
Mars	To source all of its cocoa from sustainable sources by 2020	All labels: 400,000 MT, at least 100,000 MT of both UTZ and RA (2020); RA: 10,000 MT (2010)	all Galaxy milk chocolate bars in the UK and Ireland will bear RA label from early 2010
Nestle	Has joined the UTZ platform and committed to use Fairtrade cocoa in the production of Kitkat for the UK and Irish market, from mid January 2010 onwards.	FT: approx 10,000 MT (2010) UTZ: ?	KitKat in the UK and Ireland
Kraft	Entire Cote d'Or and Marabou lines, starting in France and Belgium, expanding to Germany, Spain, Poland, Portugal, US Netherlands, Canada, , Sweden, Denmark, Finland, Austria and Switzerland by 2012	RA: 30,000 MT (2012)	Cote d'Or and Marabou lines
Kraft (Cadbury)	Approx. 50 million Euro will be invested in the next 10 years to reach around a million farmers in Ghana, India, Indonesia and the Caribbean	FT: 20,000 MT (2010)	Cadbury Dairy Milk in the UK, Ireland, Canada, Australia and New Zealand (2010)
Cargill	Has joined the UTZ platform	UTZ: 10,000 MT in 2010, minimal 50,000 MT in 2015	

Fig II.3.d: International committed demand for sustainable cocoa. Source: (Dutch sustainable trade initiative, 2010)

## **Appendix 7: Development on Dutch market**

### **Article 1**

March 15, 2012, 6:25 a.m. EDT

#### **Cocoa prices may rise on output fall, good demand By Surabhi Sahu**

SINGAPORE (MarketWatch) -- International cocoa prices may rise in the next six months amid fears of a global deficit of about 100,000 metric tons this year due to lower output in top producer the Ivory Coast as well as a modest rise in global demand, Brandon Tay Hoe Lian, Managing Director of Malaysian cocoa processor Guan Chong Bhd. , said Thursday.

The deficit is much higher than 71,000 tons for the crop year ending Sept. 30 forecast last month by the International Cocoa Organisation.

Although cocoa demand from the U.S. and Europe isn't likely to rise this year due to a weakening economic outlook, global demand may rise 2%-3% due to robust consumption in emerging markets such as China, India, Indonesia and Brazil, he said.

May cocoa futures on New York's InterContinental Exchange settled at \$2,314/ton Wednesday, up about 9% since the beginning of this year.

A re-test of multi-year highs seen in 2011 is unlikely as any gains will be tempered by the bleak global economic outlook, Tay said. ICE cocoa breached the \$3,700/ton level last year tracking civil unrest in the Ivory Coast.

This year, the Ivory Coast has introduced forward sales of 2012-13 cocoa beans, which may also limit gains, Tay said, adding that it may lead to a surge in short positions as exporters buying physical cocoa hedge buys in the futures market.

Guan Chong expects to increase cocoa grindings by 20% this year to about 150,000 tons, Tay said. The company aims to increase total annual grinding capacity to 200,000 tons by the second quarter of this year, from 140,000 tons now.

Source: (Sahu, 2012)

[http://www.marketwatch.com/story/cocoa-prices-may-rise-on-output-fall-good-demand-2012-03-](http://www.marketwatch.com/story/cocoa-prices-may-rise-on-output-fall-good-demand-2012-03-15)

15

## Article 2

April 13, 2012, 2:08 a.m. EDT

European Q1 cocoa grindings fall 0.1% on year: ECA By Michael Haddon

LONDON (MarketWatch) -- European cocoa grindings decreased 0.1% on the year during the first quarter of 2012, to 353,311 metric tons, figures from the European Cocoa Association showed Friday.

Indeed, the new data reveal the first year-on-year fall in grindings for a quarter since the final three months of 2009-10.

Cocoa grindings in Europe--a key measure of demand for the chocolate ingredient--had run sharply ahead of the previous year throughout most of 2011, before growth tailed off in the final quarter.

The ECA said it had upwardly revised its estimate for the fourth quarter of 2011 by 435 tons to 349,790 tons, following corrected figures submitted by one or more reportees.

The ECA accounts for around two-thirds of European cocoa grindings. ECA grinding members are ADM Cocoa, a unit of Archer Daniels Midland Co. [ADM +7.10%](#) ; Barry Callebaut AG ; Delfi Cocoa Europe, a division of Petra Foods Ltd. ; ECOM/Dutch Cocoa; Gerkens Cacao, a unit of Cargill Inc; and Nederland.

Bean processors are Cioccolato Peyrano, Euromar, Ferrero SPA, Fuchs & Hoffmann, Hachez, Herza, Icam, Kessko, Kraft Foods Inc. [KFT -0.28%](#), Ludwig, Majani, Natra, Nestle SA (NESN.VX), Schokinag, Schwartzauer Werke, Storck, Weinrich and Toms.

Source: (Haddon, 2012)

<http://www.marketwatch.com/story/european-q1-cocoa-grindings-fall-01-on-year-eca-2012-04-13>