10 tips for organising your cocoa export to Europe

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Having a good understanding of the practical export processes is crucial to becoming or remaining a successful exporter. This document provides some tips on how to properly export your cocoa to buyers on the European market. Many different factors come into play when organising your export and considering the delivery and payment terms. These factors include the relationship between you and your buyer (new, short-term, long-term), the transportation method (sea or air freight), the type of cocoa (bulk or specialty) and the volume and value of the shipment.

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1. Agree on the terms of payment with your buyer

In the bulk market, exporters and buyers usually operate on the futures market, where a specific volume of cocoa (200 tonnes, for example) is sold at a pre-determined international price on a future delivery date. Check the international daily prices for cocoa beans on the website of the International Cocoa Organization (ICCO).

Specialty cocoa is not traded in the futures market, but many buyers do use international prices as a reference, plus a differential based on the quality and organoleptic profile of the cocoa. Specialty cocoa buyers may be willing to pre-finance production, enabling you to cover costs related to production and exports. These arrangements should be included in the contract. Pre-financing of about 30% is common. The other 70% is paid on arrival in Europe, if the cocoa beans are in good condition. However, all of this will depend on the nature of your relationship with the buyer, including the mutual level of trust and commitment. It will also depend on the type of buyer you are establishing a relationship with. For example, importers use their own credit lines to pre-finance, but banks are getting stricter due to high risk. Some importers pre-finance 25% up to 50% of the production, while others do not pre-finance (anymore).

Making agreements on payment terms before signing any contracts is key. The most common form of payment in the cocoa trade is Cash Against Documents (CAD). This payment is made via a bank transfer, and the party that owns the documents also owns the goods.

Another method of payment is the letter of credit (L/C). If this method is agreed on, payment will be made from the buyer's bank to the exporter's bank against certain documents, such as the invoice, the certificate of origin and the bill of lading. Be aware that L/Cs are the most expensive option and require a lot of paperwork. However, they are also the most secure method of payment for an exporter.

Sometimes, payment is made after arrival of goods, following quality approval, although this is less common. This is usually agreed when the buyer perceives higher risks. Nevertheless, a producer will always want to get paid a certain percentage in advance, as a sign of commitment.

Cocoa is traded in US dollars (USD) both in Europe and in the USA. Exchange rates fluctuate, which may influence the price you get. Cover this risk by including a clause on currency risk in your contracts.

Tips:

- Make sure to agree on payment terms before signing a contract. Consider your financial and other risks and benefits pursuant to these terms.
- Examples of financial institutions that are often used for exports to the European cocoa market include Impact Finance, Rabo Rural Fund, responsAbility and Root Capital.

2. Agree on delivery terms with your buyer

Always agree on terms of delivery for your export (Incoterms) with your buyer before transporting cocoa beans. The delivery term chosen usually depends on your buyer's preference. In most cases, the use of Free on Board (FOB) terms, which are most commonly used, is recommended. FOB means the buyer takes ownership of the cargo at the point of departure from the supplier's shipping dock. If goods are damaged in transit, the buyer (or their insurance company) is responsible for the associated costs.

Cost, Insurance and Freight (CIF) is not recommended for cocoa exporters. Under a CIF delivery term, the seller bears the responsibility and costs of any loss of or damage to the cocoa beans during transport. This means the seller must purchase specific documents, such as export licenses and insurances, and pay for inspection costs. Only once the freight unloads at the buyer's port of destination, the buyer becomes responsible for the product.

Tips:

- Refer to the website of the International Chamber of Commerce for further information on international commercial terms. Make sure you understand the incoterms, the associated risks and the costs involved. Make your own preferences clear to your buyers. Once you have agreed on which incoterms to use, include these terms in your cocoa offers.
- Refer to the Federation of Cocoa Commerce (FCC) to learn more about cocoa trade and logistics.
- Specify the costs of transportation and the risk of loss and damages before entering into a buyer-seller agreement.

3. Make clear agreements on export insurance

Marine insurance is the most common type of insurance in cocoa trade, as it provides protection against future losses of cargo carried on ships and boats. Insurance costs are usually covered by the buyer, who arranges the procedure and relevant paperwork with their insurance company. However, if insurance is the responsibility of the exporter (under a CIF contract, for example), the exporter must provide an insurance certificate issued by a first-class insurance company. You can either arrange the insurance yourself or work through a broker. Filhet-Allard Maritime is one such marine insurance company.

The insurance certificate must show that insurance has been taken out in accordance with the terms of the sales contract and should enable the buyer to claim any losses directly from the insurance company. Compensation may be awarded, for instance, for total loss of cargo, water damage due to a leaking container, damage due to an accident of the vessel or dropping of a container during loading.

Note that insurance companies will not reimburse costs related to transport problems that result from “force majeure”, referring to external factors that cannot be controlled, such as natural disasters, wars, riots, fire, etc.

Tip:

Make sure to comply with all requirements of your or your buyer’s insurance company to get a possible compensation.

4. Drafting contracts

Once you have reached an agreement with your buyer on price, product, shipment and destination, you need to draft a contract. The Federation of Cocoa Commerce (FCC) provides contract rules for cocoa beans, which you can use as guidelines for your own contracts. The standard contract provided by the FCC is used most frequently for the physical trade in cocoa beans. In case of disputes, the FCC offers an arbitration service to parties who use FCC contracts.

In most cases, a contract is drafted by the European buyer in “short form”. Usually, draft contracts refer to the FCC to clarify that the contract will follow all their conditions. If any detail in the contract is unclear, you need to agree on a solution and make it clear in the text of the draft before signing the contract. Pay special attention to price, delivery and payment terms, quality requirements, applicable charges and the dispute resolution procedure. Familiarity with both the legal and the practical aspects of export terms and responsibilities is very important to prevent disputes.

Strict contract fulfilment regarding contingencies during export procedures and transport is crucial. Hence, familiarity with both the legal and the practical aspects of export terms and responsibilities is very important to prevent disputes. Note that the cocoa trade in Europe deals in US dollars.

Tips:

Use the FCC’s contract rules for cocoa beans when drafting a contract with buyers.

Always deliver what you promise. If changes are inevitable, make sure to communicate them clearly and consult with your buyer to find solutions.

Ensure that you fully understand the contract before signing. Not fully understanding the contract and its consequences may put you and your reputation at risk.

5. Have your export documents ready

As an exporter, it is important that you properly prepare your export documents. These documents are part of the customs procedure. Make sure these documents are correct, as mistakes can cause delays in shipment.

When it comes to transport export documents, you are required to send a Bill of Lading (B/L) and a Packing List (P/L) with the shipment. The B/L represents the contract between the owner of the goods (the cocoa bean producer organisation) referred to as shipper, and the carrier of the goods. It is a receipt for the freight services, and usually contains the following information:

- Shipping bill number and date
- Name and address of both the shipper and the receiver (buyer)
- Type and quantity of the goods being carried

The P/L should include the following information:

- Date
- Contact information of exporter, importer and transport company
- The origin address of cargo
- The destination address of cargo
- Total number of packages within this shipment
- A detailed description of the content of each package, including the type of packaging
- The volume and weight of each package

As an exporter, you are also required to prepare and submit an official commercial invoice, which is part of customs declaration. This invoice should include the following information:

- Date
- Reference to order
- Contact details of buyer and supplier
- Invoice number
- Payment conditions
- Delivery conditions
- Country of origin

In addition, submit a Certificate of Origin to your buyer, and include this with the shipment. This certificate contains information about the product, its destination and the country of export.

Lastly, ensure you have your inspections certificates ready, such as phytosanitary certificates and certificates of analysis. This is required by buyers prior to export, and can be used by border control in the European Union to verify contaminant levels.

Tips:

Discuss with your buyer how and when they would like to receive your export documentation.

Consult your buyer as well as your freight forwarder if there are any other additional documents required to facilitate the shipment.

Refer to our study on buyer requirements to find more detailed information about legislative requirements, such as maximum contaminant levels.

6. Be well informed on import customs procedures

All goods imported into the European Union (EU) must be declared to the respective customs authorities by filling out the Single Administrative Document (SAD). Together with the SAD, the authorities must be provided with, among other things, freight documents, the commercial invoice, inspection certificates, proof of origin and a customs value declaration (if the value of goods exceeds €20,000).

Note that all this is the responsibility of the importer that you will be working with. Your responsibility as an exporter is to help the buyer comply with the customs procedures. Therefore, make sure to send the documents mentioned in the above tip by email to your buyer, as well as in hard copy (on paper) together with the shipment.

The European Union does not apply any tariff on cocoa beans, shells and husks, regardless of the country of origin. Tariffs may apply to semi-finished cocoa products, as shown in the table below. To see if your country falls under the Generalised Scheme of Preferences (GSP), refer to the website of the European Commission and access the current list of GSP countries. Note that some non-GSP beneficiary countries can also have tariff preferences. Refer to the Access2Markets webpage to see if your country has an Economic Partnership Agreement (EPA) or Free Trade Agreement (FTA) with the EU.

Table 1: EU tariffs for cocoa beans and semi-finished cocoa products

Origin	Cocoa beans	Cocoa paste	Cocoa butter	Cocoa powder
Any country	0%	9.6%	7.7%	8% + sugar levies
Generalised Scheme of Preferences (GSP)	0%	6.1%	4.2%	2.8%
Generalised Scheme of Preferences + (GSP+)	0%	0%	0%	0%

Source: Access2Markets Trade Assistant

Tips:

Refer to the Access2Markets website for a full list of documents for customs clearance in the EU.

Access GOV.uk to find more specific information about the customs procedure in the United Kingdom.

Access TARIC, the integrated Tariff of the European Union, to find more information on all measures relating to EU customs-tariff, commercial and agricultural legislation.

Check whether any preferential agreements apply to you, by selecting your country of origin and the trade code of your export product on the website of the Access2Markets Trade Assistant. The trade code for cocoa beans is, for instance, HS1801.

See this article on what to include in an export invoice and learn how to prepare such an invoice.

7. Invest in good-quality packaging and transportation

Buyers in Europe are looking for good quality and cost-efficiency. The condition in which your shipment arrives at your buyers' warehouses will make or break your reputation. If you provide poor-quality packaging, you will damage the faith your buyer has in your company. The shipment time will vary per shipping line and route, but usually ranges from 27 to 35 days.

In all cases, cocoa beans should be stored and transported in cool and dry conditions, with good ventilation. Cocoa beans are traditionally shipped in jute bags, which can weigh between 60 and 65 kilograms. However, cocoa beans are increasingly transported as bulk cargo in big, plastic, container liners. For cocoa beans, labelling of the packaging is not guided by specific legislation, but should at least include:

- Product name
- Grade
- Lot or batch code
- Country of origin
- Net weight in kilogram

In case of organic, fair trade or other certifications, you should include the name/code of the inspection body and the certification number on the label. Note that organic cocoa cannot be transported in the same container as non-organic cocoa because of the risk of cross-contamination.

In the fine flavour/speciality cocoa segment, jute bags are also still commonly used. For very high-quality micro lots, vacuum-sealed GrainPro packaging can be used in addition to an outer jute bag layer. In this niche segment, which deals with smaller volumes, quantities of less than a pallet are usually transported by air. These orders are often fully paid for in advance by the buyers.

Tips:

Consult your buyer to discuss and hear about their specific packaging preferences.

In general, cocoa beans should be shipped shortly after harvest, as storage exceeding six months may result in quality losses. High humidity in cocoa-producing countries may damage the cocoa quality. According to the Cocoa Industry Quality Requirements of CAOBISCO, the ECA and the FCC, safe storage of dry cocoa beans requires the beans to have a maximum moisture content of 8%.

See the website of the Transport Information Service for information on the safe storage and transport of cocoa.

For more information about packaging and consumer labelling, see our study on buyer requirements.

8. Organise transport and logistics efficiently

Bulk cocoa is usually transported based on a Full Container Load (FCL). An FCL cargo means that you do not share the container with anyone else; it does not necessarily mean that the container has to be fully loaded. Keep in mind, however, that containers that are not full are more susceptible to damage during shipment, because bags can move around the container when they are not solidly packed.

When you do not have sufficient volumes to export FCL (usually less than 20 cubic metres), you must try to find economic logistics solutions to lower your costs. It is recommended to choose consolidation options, which means that a freight forwarder or agent will organise multiple Less than Container Load (LCL) shipments into one fully loaded container.

If you help your buyer with organising transport and logistics, realise that large importing companies usually prefer to make transport arrangements themselves, because they often already have pre-agreements about volume and freight prices. Also, arranging transport themselves gives them more control over potential risk factors.

Tips:

You will find it more profitable to have five buyers with smaller orders than to have one buyer who buys the whole lot. A diverse portfolio of clients also helps you spread risks.

If you help to organise transport and logistics, contact at least three local transport companies in order to get different quotations. Assess their costs against the services they provide to reach the most cost-beneficial deal.

Refer to this guide on international freight forwarders to assess whether you need a freight forwarder and get tips on how to choose the right one.

9. Know your rights as a cocoa supplier

In April 2019, the EU published a new directive (EU 2019/633) to protect small and medium-sized suppliers in the food supply chain against unfair trading practices by economically more powerful buyers. This directive applies to suppliers from outside the EU when selling to an EU-based buyer. By July 2021, 16 Member States had already reported complete transposition of the Directive.

The directive includes a list of prohibited unfair trading practices, which includes:

- The refusal of a written supply agreement when requested by a supplier;
- Late payments (after 30 days for perishable products, over 60 days for other agri-food products);
- Unilateral changes to contracts;
- Last-minute order cancellations (less than 30 days).

Tip:

Read more about your rights as a cocoa supplier in The Unfair Trading Practices Directive: a transposition and implementation guide.

10. Know the organisations that offer export support services

Some organisations specialise in helping you with the technical and/or practical aspects of organising an export shipment. Ask around to find national export promotion authorities that are active in your country. Examples are GEPA: Ghana Export Promotion Authority (Ghana), PROCOMER (Costa Rica), PromPerú, ProEcuador and UEPB: Uganda Export Promotion Board (Uganda).

Tip:

Have a look at ITC’s global Business Support Organization directory. Filter your search by BSO type to find national institutions in your country that promote international trade and investment. This includes organisations with an export promotion and development mandate.

For other practical tips on how to increase your chances of and efficiency in becoming or staying a successful cocoa exporter to the European market, refer to our other studies: our Export to Europe Manual, our Tips for Finding Buyers, our Tips for going digital, and our Tips for Doing Business.

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