

# Cocoa Origins

## Annex B: Scenarios of possible projects



## 1. INTRODUCTION

The Dutch market has committed to 80% sustainable cocoa consumption in the Netherlands by 2020 and 100% by 2025. The proposed intervention seeks to limit the risk of smaller cocoa users<sup>1</sup> in cocoa origins, by providing subsidies for initial investments in creating, re-arranging or expanding cocoa supply chains from the cocoa origin to the final cocoa product and for accompanying projects with impact on social, economic and environmental conditions for cocoa production. This will result in the contribution of the smaller cocoa users to improve sustainability of cocoa production thereby actively implementing the commitments expressed by signing the Letter of Intent of 2010 on Sustainable Cocoa Consumption

## 2. PROJECT SCENARIOS

The Cocoa Origins Program aims at establishing or growing stable permanent commercial relations between cocoa producers and cocoa users. Cocoa Origins moves beyond this direct contribution to the economic pillar of sustainability and includes projects that have indirect impact on economic, environmental and social challenges faced by cocoa producers.

Each, coupled with a sustainability project related to the supply chain (aiming at one or more of the pillars of sustainability people, profit and or planet). In some cases, proposals for stand-alone sustainability projects might be considered

The cocoa supply chain is long and complicated. Several actors are involved in one product and may be bypassed in another. Below figure gives an overview and includes scenarios of possible projects related to the position of the initiator in the chain. Depending on the position in the value chain of the initiator, coalitions will be created to implement the program. This will allow larger projects. At the other hand, small projects can be part of the program as this will optimize the contribution of the program to active implementation of the Letter of Intent.

### *A. Cocoa producer (cocoa farmer or cocoa cooperation)*

A cocoa producer initiates a project and looks for buyers or manufacturers in the Netherlands. This can be a cooperative or plantation, seeking to secure a stable trade relation involving the region and a final buyer for sustainable cocoa. The end product will be sold on the Dutch market.

Alternatively, cocoa producers already producing sustainable cocoa from specific origins can link themselves to supply chain partners and retail outlets in the Netherlands. Consultation and brokering activities can help to facilitate this process.

### *B. Trader (exporter)*

A trader organizes the supply chain from cocoa origin to chocolate manufacturer. The trader initiates projects in cocoa origin and seeks to secure stable trade relation involving the region and a final buyer who serves the Dutch market. Part of the budget will be

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<sup>1</sup> Cocoa Origins targets companies that use small and medium quantities of cocoa. Although SMEs are the main target group for private partners, the program does not exclusively targets SMEs. Large enterprises, such as retailer chains, can also benefit from Cocoa Origins since they lack the capacity to invest in sustainable cocoa consumption because of the relatively small quantities of cocoa they use. Exact criteria for quantities of cocoa flows are to be determined based on further stakeholder research.

invested in the origins to co-finance sustainability projects. Typically, this is a large project size.

#### *C. Cocoa processor*

The cocoa processor organizes the supply chain from cocoa origin to chocolate manufacturer or retailer. The processor initiates a project in a cocoa origin to develop a stable trade relation on sustainable cocoa involving the region and a final buyer. Eligible costs include travel costs, market research, and meeting costs. Part of the budget will be invested in the origins to co-finance sustainability projects. Cocoa is shipped to processor, who processes the cocoa to sell it to the buyer who will sell his end product on the Dutch market. This scenario is typically large sized.

#### *D. (Industrial) Chocolate manufacturer*

A chocolate manufacturer reorganizes his supply chain and sources directly sustainable cocoa from cocoa origin. Instead of buying off the shelf liquor or couverture, the chocolate manufacturer becomes involved in the cocoa origin. Direct relationships are built and fostered by the local institutional environment. Part of the budget will be invested in the origins to co-finance sustainability projects. The chocolate producer is involved in the local project and commits to long-term trade relationship. Cocoa is shipped to the chocolate producer who may still outsource cocoa processing.

#### *E. Chocolate maker*

A bean-to-bar chocolate maker finds a new cocoa source for sustainable cocoa and develops a sustainable trade relation. The project involves investment in local production site and increase of productivity or quality of the cocoa producer. Cocoa is shipped to chocolate maker who develops a new origin bar. Part of the budget will be invested in the origins to co-finance sustainability projects. The new product is launched and supported by marketing strategy to ensure long term sales and viable product.

#### *F. Chocolate distributor*

A chocolate distributor launches new import supply chain and becomes active in cocoa origin. The importer / distributor becomes involved in cocoa origin of sustainable cocoa and builds a direct relation with cocoa producers. They support creation or expansion of a local chocolate brand to promote both local consumption and export of sustainable chocolate. Part of the budget will be invested in the origins to co-finance sustainability projects. After a successful launch or expansion of the chocolate, they set of a distribution network in the Netherlands and EU. This would be a small project.

#### *G. Dutch retail chain*

A Dutch retail chain launches a new private label or a new bar within their existing private label range for sustainable chocolate. The retailer becomes involved in cocoa origin with a direct link to the cocoa producer. They source cocoa as in case D or support creation or expansion of chocolate local brand as in case F. In both cases the end product is sold on the Dutch market. Eligible costs include travel costs, learning and meeting costs. Part of the budget will be invested in the origins to co-finance sustainability projects. This would be a small project.

Alternatively, the retail chain can become involved in one of the regions where sustainable cocoa for their private label chocolate is being sourced. They initiate a sustainability program aimed at one of the three pillars of sustainability, people, profit and or planet, and trace cocoa from the origin to the bars. This could be on a mass balance basis.