

# Sourcing data and statistics for the European platforms for sustainable cocoa

Technical discussion on 28<sup>th</sup> September 2020

## Summary of discussions and preliminary conclusions

Version 14<sup>th</sup> October 2020

A technical discussion on the sourcing data and statistics for the European platforms for sustainable cocoa was held on 28<sup>th</sup> September 2020.

The participants were:

- ✓ Mr. Torben Erbarth, BDSI
- ✓ Ms. Christine Müller, SWISCO
- ✓ Ms. Urs Furrer, SWISCO
- ✓ Mr. Charles Snoek, BeyChoc
- ✓ Mr. Sebastiaan van der Hoek, Cargill
- ✓ Ms. Johanna Bodewing, GISCO
- ✓ Ms. Beate Weiskopf, GISCO
- ✓ Ms. Julia Jawtusch, GISCO
- ✓ Ms. Johanna Doll, GISCO
- ✓ Mr. Patrick Stoop, C-lever.org
- ✓ Ms. Hilde Geens, C-lever.org

### A. Overview key elements of the current situation

It must be acknowledged that the current situation and gradually evolved practices of the 3 platforms (GISCO, SWISSCO and Beyond Chocolate) differ significantly; as was already demonstrated in the preparatory analysis (cf. annexes below). The below table summarizes the aspects discussed and confirmed during the meeting.

Aspect	GISCO	SWISSCO	Beyond Chocolate
<u>Scope</u>	Cocoa-containing end products sold on the German market  All end products – no cut-off point with minimal % cocoa	Cocoa imported into Switzerland (covering all stages of the value-chain)	Cocoa sourced for: <ul style="list-style-type: none"> <li>➤ Chocolate produced in Belgium</li> <li>➤ Chocolate sold in Belgium</li> </ul>
<u>Data collection mode (currently)</u>	Data collected by BDSI from the members (being both member of GISCO and of BDSI - Association of the German Confectionery Industry)	Data collected by SWISSCO from the Members (Excel form)  Data is collected per <u>HS code</u> (thus distinguishing stages of cocoa processing / types of cocoa containing products) – for imports / exports.  Comparison with import/trade statistics	Data collected by BeyChoc from the Members Distinguishing between <ul style="list-style-type: none"> <li>➤ Cocoa sourced to produce couverture chocolate (= chocolate in blocks)</li> <li>➤ Cocoa contained in (consumer) chocolate sold in Belgium</li> </ul>
<u>Conversion rates used to convert in MT-BE</u>	ICCO	ICCO	ICCO  (but ISO-CEN used in 2019 reporting by the certification standards in)

Aspect	GISCO	SWISSCO	Beyond Chocolate
<u>Coverage of the market</u>	80% to 90%	All main cocoa processors and some retailers report – the focus is on cocoa beans, semi-processed cocoa products, and chocolate. 93%	Focus on sourcing for chocolate produced and/or sold; not other cocoa containing end-products sold. Full coverage for couverture chocolate producers (large volumes) Partial coverage for consumer brands and private labels of retailers for chocolate sold.
<u>Disaggregation MT-BE per certification standard / verified company scheme</u>	Yes, since 2020 Not yet for organic No combinations	Yes disaggregated Data collection allows reporting volumes for several standards/scheme and then providing correction for double counting when aggregating	Yes disaggregated Some initial steps (2019 reporting) to correct for double counting.

## B. Conclusions

- 1) The meeting, and its preliminary preparations, allowed to further clarify the challenges related to cocoa sourcing data and statistics used by GISCO, SWISSCO and Beyond Chocolate.
- 2) Even if full harmonisation on short term is not possible the following **steps towards harmonisation** can be proposed.
  - a) Volumes of cocoa sourced are expressed in MT-BE, metric tons of bean equivalents,
  - b) The ICCO conversion rates are used to convert (semi-) processed cocoa into MT-BE.
  - c) When using data and statistics on volumes of cocoa sourced, expressed in MT-BE, we try to distinguish between:

Volume of cocoa sourced, expressed in MT-BE, corresponding to cocoa-containing end products sold on the national market; if possible, further disaggregated in:

    - i) chocolate sold;
    - ii) other cocoa containing products sold.

Volume of cocoa sourced, expressed in MT-BE, to produce chocolate and other cocoa-containing end products, further disaggregated in:

    - iii) chocolate produced;
    - iv) other cocoa containing products produced.
  - d) *Remark*
    - i) The above does not imply that different platforms are already harmonising the scope of their target or their approaches for data collection. But the above provides at least a framework for comparison between the data of the different platforms.
    - ii) GISCO focusses on volume of cocoa sourced, corresponding to cocoa-containing end products sold; comprising (i) chocolate sold and (ii) other cocoa containing products sold.
    - i) SWISSCO focusses on all cocoa imported, thus covering (i) chocolate sold, (ii) other cocoa containing products sold, (iii) chocolate produced and (iv) other cocoa containing products produced.
    - ii) Beyond chocolate focusses on (i) chocolate sold and on (iii) chocolate produced.
- 3) GISCO, SWISSCO and Beyond Chocolate, applying a European perspective and envisaging DISCO and other European platforms to join them, should develop a common strategy and work jointly towards increasing the level of sustainability of cocoa imported into the European market. Therefore, they can agree on common targets, indicators and a coherent result chain leading and contributing to improved sustainability of cocoa imported. The findings of the ongoing cocoa traceability study could be used when doing so.

### C. Overview of additional points of attention discussed

- 1) When sourcing semi-processed cocoa products, e.g. cocoa butter, the buying supply chain actors typically do not obtain much information on the origin of the cocoa and/or on its sustainability characteristics, taking into account that beans from different origins and with different sustainability characteristics are used to produce these semi-processed cocoa products.
  - a) In the discussion this was referred to as “we lose traceability” in these intermediary steps.
  - b) A formalised exception on the above is where mass-balanced mechanisms are used; this mechanism allows for transferring the certification of (part of the) beans sourced as 1<sup>st</sup> point of purchase to the certification of (part of the) the (semi-)processed product; with such formal certification being part of the sourcing arrangements and corresponding pricing.
- 2) Only focussing on cocoa contained in end-products sold on the national market would significantly underestimate the importance of the cocoa sectors in both Belgium and Switzerland, as these countries produce a lot of chocolate that is exported. The SWISSCO and Beyond Chocolate platforms therefore focus also on the sustainability of cocoa processed in the country.
  - a) It should be noted that not all cocoa beans imported into Belgium are processed in Belgium, a lot of beans are being re-exported, while on the other hand, Belgium imports a lot of semi-processed cocoa products from other European countries (e.g. the Netherlands and France).
  - b) Therefore, using import statistics as a double checking is less relevant in Belgium; while this is more relevant in Switzerland where almost all beans imported are also processed in the country.
  - c) For SWISSCO it would be less pertinent to separately collect data on cocoa contained in end-products sold on the Swiss market.
    - i) SWISSCO focusses on the sustainability of all cocoa imported, this covers both cocoa contained in end-products sold in Switzerland and cocoa contained in products produced in Switzerland (using cocoa imported in different forms) and later on exported.
    - ii) Since the GISCO sourcing statistics also track export, the part of the local end-products sold could be assumed to correspond to imports less exports.
  - d) Beyond Chocolate already concluded that data on “cocoa sourced” should be kept separate for “chocolate produced in Belgium” and for “chocolate sold in Belgium”; these data are both relevant for the Beyond Chocolate Commitments, but they shall not be aggregated, because they reflect different dimensions of the chocolate supply chain.
- 3) The different approaches for collecting data on “cocoa sourced” are linked to the different ways the European platforms have formulated their objectives and targets.
  - a) We will not be able to harmonize these 3 approaches completely, unless the European platforms would evolve from their own (national set) objectives with respect to sustainable cocoa, to a common European ambition and corresponding cocoa sourcing statistics.
  - b) Some participants in the discussion therefore called for evolving toward such a European approach.
  - c) When doing so, it would also be important to use grinding statistics for Europe that are compiled by ECA, in combination with cocoa import statistics for Europe compiled by ICCO.
  - d) Such European approach would focus on the sustainability of all imports of cocoa into the European Union, considering cocoa beans as well as all kinds of cocoa semi-processed products and cocoa containing (end) products.
  - e) The role of the national platforms might then evolve toward leveraging their influence as national platform in ensuring that the European market gradually improves the sustainability of cocoa being imported.
  - f) Focussing on the European level would be relatively simple because we only need to look at cocoa entering the European market and not track the trade of cocoa and cocoa containing products between European countries.

- g) The leverage in fostering sustainability would be significantly larger if the whole European volume is considered.
- 4) On what do we want to collect and process data and why are we doing that?
    - a) If we want to have impact on the ground, in the cocoa producing areas and along the cocoa value chain, then we need to have information on what is happening there, and it is less important to know what cocoa ends up in what national market.
    - b) On the other hand, the power of national platforms is exactly that supply chain actors and consumers in each of the European countries take responsibility for the sustainability of:
      - i) cocoa contained in the consumer products sold to, and thus bought by consumers (= raising accountability of both (a) supply chain, culminating at the level of retailers and (b) consumers;
      - ii) cocoa processed in the country, even if the resulting products are exported (= raising accountability of supply chain actors for their sourcing).
    - c) Therefore, the common indicators of the European platforms would try to cover all main aspects of a coherent result chain with respect to enhancing the sustainability of cocoa imported into Europe.
  - 5) It should be noted that collecting data on the volume and sustainability of cocoa sourced, per European platform, does not require the cocoa sourcing practices to be organised per national market.
    - a) The sourcing data collection and statistics approach envisaged is fully acknowledging that, to a very large extent, companies are sourcing and processing cocoa for their global portfolio, without possibility of physical tracing of between cocoa beans sourced at one point and cocoa-containing products sold in a European market.
    - b) As per well-institutionalised “mass balance”-practices, the “certification” characteristic is transferred to an equivalent volume or cocoa in cocoa-containing end products.
    - c) For other sustainability aspects (e.g. the origin transparency level, the traceability level, etc.) the calculation will be based on the % of those characteristics in the sourcing mix used.
  - 6) Another issue is that there is a higher demand for certified cocoa butter than for certified cocoa powder, meaning that part of the cocoa powder corresponding to the processing of certified cocoa beans is sold without a certificate. Applying the ICCO conversion rates to convert certified semi-processed cocoa into MT-BE, implies that a limited part of the certified cocoa beans could get lost in the calculation.

## Annexures – Preparatory documents

### Sourcing Statistics on „Sustainable“ Cocoa European Platforms for Sustainable Cocoa

As of: May 8<sup>th</sup> 2020

	German Initiative on Sustainable Cocoa	Swiss Platform for Sustainable Cocoa	Beyond Chocolate
<b>Target</b>	a share of at least 85 % of <b>cocoa in cocoa-containing end products</b> sold by the producing members in Germany to be <b>certified by sustainability standards*</b> or to be <b>equivalently independently verified</b> by the year 2025.  *Fairtrade, Rainforest Alliance Certified, UTZ Certified	By 2025, at least 80% of the <b>imported cocoa in products containing cocoa</b> , 1) should be produced and certified according to internationally recognized sustainability standards, such as the <b>Rainforest Alliance/Sustainable Agriculture Network, UTZ, Organic, Fairtrade and if applicable ISO/CEN</b> , or 2) should be produced according to a procedure comparable to one of the standards above in terms of requirements and which has been credibly verified, or 3) should originate from another form of procurement that makes a <b>measurable contribution to the SDGs</b> and has been credibly verified.	By 2025, all <b>chocolate produced and/or sold in Belgium</b> shall comply with a <b>relevant certification standard</b> and/or shall be manufactured from cocoa-based products covered by a <b>corporate sustainability scheme</b>
<b>“Sustainable” Cocoa</b>	Fairtrade, Rainforest Alliance Certified, UTZ Certified + comparable verified program	Rainforest Alliance/Sustainable Agriculture Network, UTZ, Organic, Fairtrade and if applicable ISO/CEN + comparable verified procedure	UTZ, Rainforest Alliance, Fairtrade, Cocoa Horizons, Cocoa Life, Cocoa Promise, Cocoa Trace, Organic, Other
<b>Reporting Statistics</b>	% of “sustainable” cocoa (equivalents) in cocoa-containing end products sold by the producing members in Germany	% of “sustainable” cocoa (equivalents) imported by members to Switzerland	% of “sustainable” chocolate produced and/or sold by members in Belgium
<b>Statistical Basis</b>	All cocoa (equivalents) in cocoa-containing end products sold by the producing members in Germany ( <i>estimate from BDSI</i> )	All cocoa (equivalents) <sup>1</sup> imported by members to Switzerland ( <i>member monitoring data</i> )	All cocoa (equivalents) sourced by members (producers) in Belgium + all chocolate produced outside of Belgium and sold (in kg) by members (retail) in Belgium ( <i>member monitoring data</i> )

<sup>1</sup> HS Codes: 1801,00; 1802,00; 1803,10; 1803,20; 184,00; 1805,00; 1806,10; 1806,20; 1806,31; 1806,32; 1806,90; 1704,9010

### **Possibilities for Harmonization:**

- 1. Harmonization of what types of certification/which corporate programs are considered as “Sustainable” Cocoa**
- 2. Harmonization of the Data Collection/ the Statistical Basis:**
  - If Beyond Chocolate would subtract from the cocoa (equivalents) sourced those products that were then exported to other countries and not sold in Belgium, this final number would be comparable to the GISCO statistics.
  - If GISCO would additionally collect data on cocoa imported, it could generate a number comparable to those communicated by SWISSCO. However, this data cannot be derived from the statistics collected so far at GISCO but would have to be collected additionally. This possibility would need to be further discussed with BDSI.
  - If the term “sourced” in the BC Statistics means the same as the term “imported” in the SWISSCO statistics and if the same HS codes are considered, the SWISSCO data could be comparable to the first part of the BC data
  - The question of how the first and second part (producers and retail) of the BC data add up remains to be clarified as one refers to cocoa (equivalents) and one to chocolate. Will the chocolate be converted to cocoa bean equivalents?

**We suggest discussing whether a harmonization of this data brings an added value to the platforms and its members and, if so, how a harmonization could be implemented.**

## **Scope of sourcing statistics**

### **1. Volume of cocoa contained in end products (consumer products) sold**

#### **Proposed harmonization**

All platforms provide the quantities, expressed in **MT-BE** (metric ton bean equivalents – calculated based on ICCO conversion factors) for the **cocoa contained in end products** (consumer products) **sold** in the national market.

Proposed disaggregation in:

- MT-BE for cocoa contained in end products sold as “chocolate”
  - Definition of “chocolate” to clarify – if not chocolate then in the other category
- MT-BE for cocoa contained in other end products (= not sold as “chocolate”)
  - To be defined what is the threshold (% of cocoa contained) for end-product to be included in the reporting.

### **2. Volume of cocoa contained in end products sold and % per certification standard and per accepted (externally verified) company scheme**

#### **Proposed harmonization**

- Currently accepted certification standards and verified sustainability schemes:
  - Fairtrade
  - Rainforest Alliance - UTZ Certified
  - Organic, Fairtrade
  - Cocoa Horizons,
  - Cocoa Life,
  - Cocoa Promise,
  - Cocoa Trace
  - Or combination of above standards / schemes
- MT-BE (listed above under -1-) to be disaggregated for each of the standards / schemes
- How to avoid double counting for cocoa meeting several standards / schemes?
  - With the disaggregation the MT-BE are counted as a combination of standards and not added to the single standard
  - When reporting on volumes or % per standard or scheme the MT-BE and % of the combination are added to the MT-BE and % of the single standard, but distinction is made.
  - At each time the MT-BE and % of cocoa reported under more than one standard / scheme is clearly mentioned.

### **3. Volume of cocoa processed for the production of chocolate**

#### **Current requirement for Beyond Chocolate**

Quantities, expressed in **MT-BE** (metric ton bean equivalents – calculated based on ICCO conversion factors) for the **cocoa contained in chocolate produced** in the national market (including exports).

Proposed disaggregation in:

- MT-BE for cocoa processed to produce couverture chocolate
- MT-BE for cocoa processed to produce consumer chocolate
  - For Belgium – as to avoid double counting within Belgium – volumes to be disaggregated in
    - MT-BE of cocoa sourced in the form of Belgian couverture chocolate (= already reported in the category above)
    - MT-BE of cocoa sourced in other forms.

**4. Volume of cocoa processed for the production of chocolate and % per certification standard and per accepted (externally verified) company scheme**  
**Current requirement for *Beyond Chocolate***

- Idem as per -2- but now for the volumes under -3-.

**Remarks**

- A. The above does not yet imply analysing and accounting for all forms of import, processing and exporting of cocoa. Doing so would certainly provide more insights but would also imply a significantly increased complexity and require much more resources for data collection and data processing.
- B. For the moment, it is proposed that data on cocoa contained in end products sold (harmonized) and the data on cocoa processed to produce chocolate (facultative) are to be kept and analysed separately.
- C. When linking outcome and impact claims to volumes of sourcing, then additional issues of double counting may arise; these are to be dealt with at a later stage.