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MARKUP
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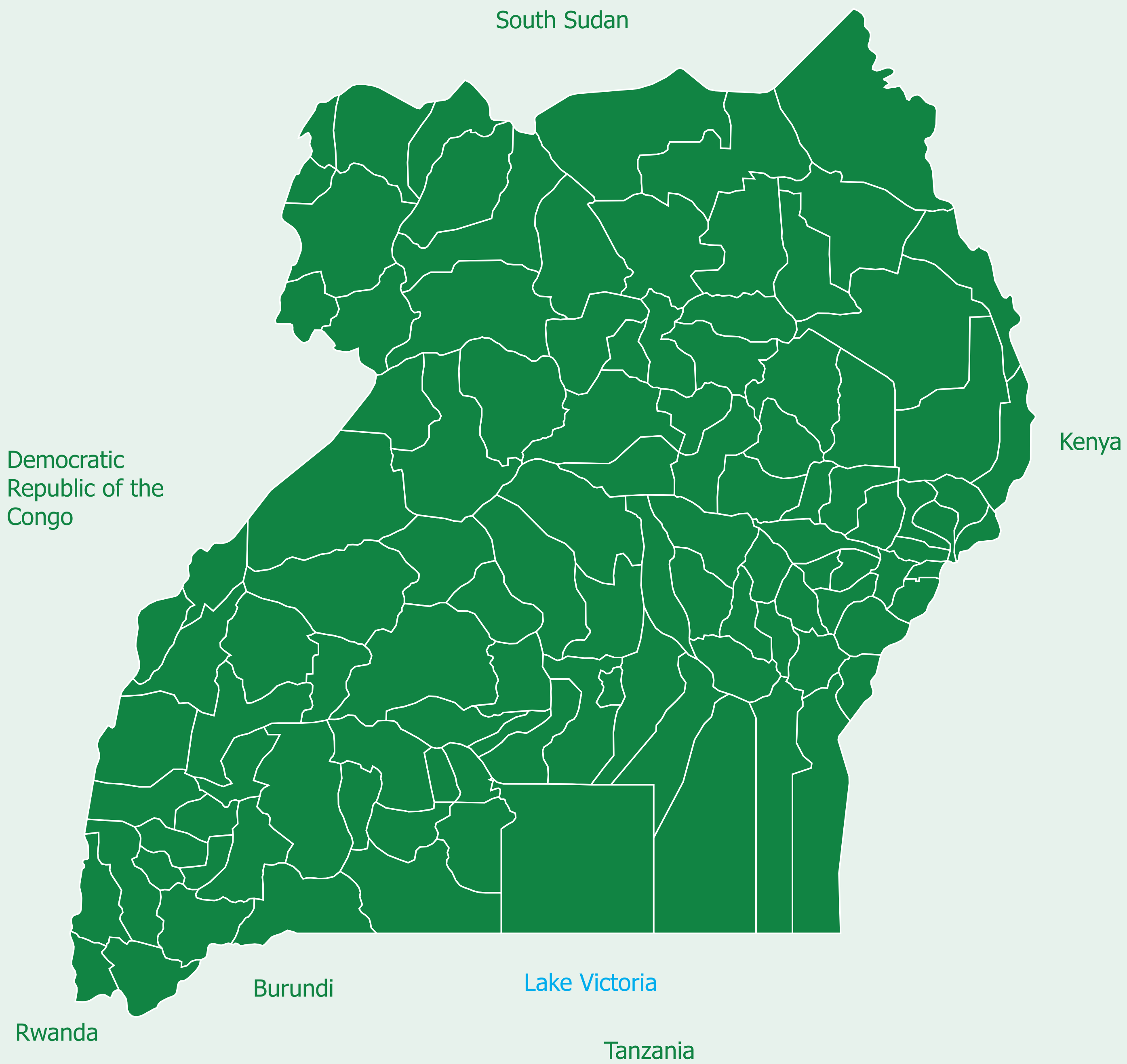
Cocoa Export Procedures Guide for SMEs in Uganda

Co-funded by the European Union

JUMUIYA YA AFRIKA MASHARIKI
East African Community

International Trade Centre

Uganda



Author: William Babigumira

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Table of Contents

Acronyms

AfCFTA	African Continental Free Trade Area
AGOA	African Growth and Opportunity Act
BMO	Business Management Organisation
COO	Certificate of Origin
CCMA	Cocoa Merchants' Association of America
CAGR	Compounded Annual Growth Rate
EAC	East African Community
EPA	Economic Partnership Agreement
EC	European Commission
CEN	European Committee for Standardization
EU	European Union
EBA	Everything But Arms
FCC	Federation of Cocoa Commerce
FFA	Free Fatty Acids
FOB	Free on Board
FOR	Free on Rail
FOT	Free on Truck
GSP	Generalized System of Preferences
COCOBOD	Ghana Cocoa Board
GAP	Good Agricultural Practices
GSP	Good Storage Practices
GWP	Good Warehousing Practices
HACCP	Hazard Analysis and Critical Control Point
INCOTERM	International Commercial Terms
IISD	International Institute for Sustainable Development
ISO	International Standard Organisation
ITC	International Trade Centre
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
NAADS	National Agricultural Advisory Services
NCCB	National Coffee and Cocoa Board
NDPIII	National Development Plan III (2020/21 – 2024/25)

OTA	Ochratoxin
PAH	Polycyclic Aromatic Hydrocarbons
ROO	Rules of Origin
SPS	Sanitary and Phytosanitary
SME	Small and Medium size Enterprise
TBT	Technical Barriers to Trade
UNBS	Uganda National Bureau of Standards
US	Uganda Standard
VSS	Voluntary Sustainability Standards
WTO	World Trade Organisation

How to Use this Guide

Why this Guide

The Cocoa export guide prepared with the support of the East African Community – European Union Market Access Upgrade Programme (MARKUP), is part of an overarching effort to improve the export competitiveness of the small- and medium-sized cocoa exporters in Uganda.

Cocoa and its differentiated products are increasingly gaining prominence in Uganda's trade and development policy space. Cocoa is a priority cash crop sector in Uganda's third National Development Plan (NDPIII) and is earmarked for sustained agro-industrialization.[1] The reasons for this include the fairly stable price of the commodity and its products and the reliable and high-income market for cocoa beans in the European Union. Uganda also enjoys an excellent geographical endowment for cocoa cultivation. At the same time, cocoa is a base crop input for a diverse range of industries with different value addition levels. Resultantly, cocoa production in Uganda has benefited from some key government interventions, including seedling support and agricultural extension support.[2] In pursuit of its industrialization agenda, the Government of Uganda plans to establish a cocoa value addition factory in Bundibugyo District, a major cocoa producing zone in western Uganda.

The number of cocoa export companies in Uganda has also steadily grown from 9 companies in 2009 to 20 companies in 2018, which signals growing investor interest in the trade. In the same vein, the value of cocoa exports has risen from US$ 24 Million in 2009 to US$ 67 Million in 2019, a compounded annual growth rate of about 5% for the period 2015 to 2019.[3] All these developments portend exciting times ahead for Uganda's cocoa export sector. However, more needs to be done to assist potential and actual cocoa exporting SMEs to benefit from these positive developments.

Therefore, the overall objective of the cocoa export guide is to equip exporting SMEs and cocoa traders with the necessary information and knowledge on export opportunities for Ugandan Cocoa to the European Union. The guide provides information on quality requirements (SPS, TBT, standards, rules of origin) for the EU market and the step-by-step procedures for exporting Cocoa. The cocoa guide consolidates disparate information in a simplified way; most of it available on trade facilitation websites and other internet sources and publications. The guide's content is tailored as a practical handbook for the first-time and continuing SME exporter and the export manager who wishes to acquire better information to improve their access and entry to target export markets.

An additional impetus for developing this guide is to assist Trade Support Institutions (TSIs), Public Sector Agencies, and Business Management Organizations (BMOs) in Uganda, who can use the guide to facilitate the cocoa export. TSIs and BMOs are increasingly required by governments and their membership to play an active and participatory role in providing market information to exporters. Therefore, Business Management Organizations, whose membership typically consists of cocoa producers, aggregators, marketers, and Cocoa exporting companies, can use this guide to provide insights into the cocoa trade that are not often available to potential and actual SME cocoa exporters.

Lastly, from an export perspective, Uganda's cocoa exports can benefit from several trading arrangements with the EU and the continent of Africa. The Everything-But-Arms (EBA) agreement gives Uganda and other countries tariff- and quota-free access to the EU market at very generous rules of origin-terms. The interim EAC-EU Economic Partnership Agreement (EPA), which isn't yet in force, promises duty-and quota-free access to the EU market for all EAC exports with improved rules of origin but with liberalization commitments on the part of the EAC. The African continent is heading into a new trading paradigm. The African Continental Free Trade Area Agreement (AfCFTA) promises to open up the world's largest regional trade agreement in terms of geographic size and partner states, connecting 1.2 billion people in a market estimated to total

1 NDP III (2020). National Development Plan (2020/21-2024/25). Available at the Ministry of Finance, Planning and Economic Development website.

2 23 million cocoa seedlings have been distributed in the country between 2014/15 to 2018/19. Source: NAADs (2017) Program report.

3 Author's calculations using URA export statistics (2009-2014) and ITC Trademap Statistics 2015 - 2019.

between US$2.5 trillion to upwards of US$5 trillion. The cocoa sector in Uganda, in particular, and the EAC, in general, must prepare to fully exploit the opportunities that these trading arrangements hold now and far into the future.

Structure of the Guide

This guide is structured to deliver a realistic view of the cocoa trade to the reader, combining some analytical perspectives of the sector with a diverse range of information sources to help answer further questions that will inevitably arise.

The guide is presented in five chapters, starting with an overview of the cocoa sector performance at the African continental level, providing some context regarding the heavier weight that West Africa carries in the global cocoa production and trade locus. East Africa's nascency in the cocoa trade is briefly analysed, and Uganda's performance briefly explained, to include the potential for expanded cocoa production and trade. Opportunities are pointed out within the soon-to-be-operational African Continental Free Trade Area (Fact) and the existing Everything-but-Arms (EBA) and Economic Partnership Agreement (EPA) by the EU with Africa and the EAC, respectively.

Chapter 2 briefly examines the import requirements for cocoa from a value-chain perspective, highlighting the need for cocoa production and exporting SMEs to build compliance capacities for sanitary and phytosanitary and food safety management from production to trade and on an enduring basis. Some brief notes on the role of mandatory and voluntary sustainability standards (VSS) are provided for the reader to benefit from a more holistic view of quality standards and the critical role they play in accessing cocoa markets. Lastly, a brief note is provided on the rules of origin and the role they play in ensuring preferential market access for cocoa exports.

Chapter 3 provides a step-by-step procedure for exporting cocoa from Uganda. The sections in this chapter are structured to guide new cocoa exporters on the procedural requirements and the steps taken from processing cocoa up to consignment release. The procedure portrays the ideal way for exporting cocoa, given the lack of an overarching institutional and regulatory and standards compliance framework in Uganda. Chapter 4 is a brief summary of the documentary requirements for exporting cocoa and is designed to mirror the procedures laid out in chapter 3. Chapter 5 is a concise information directory of the key export facilities (institutions and BMOs) that the aspiring cocoa exporter can consult at any stage of the export business, both within the EAC and in the importing market (focus on the EU)

Lastly, it is hoped that this guide delivers value both for policy makers and cocoa practitioners (actual and potential private sector players) aspiring to join the sector. The BMO can also use this guide to advocate for sectoral policy and regulatory reforms.

Chapter 1: Cocoa Trade in Africa

Overview and Objectives of Chapter 1:

This Chapter provides an overview of Africa's cocoa trade, looking briefly at the production and trade patterns of the top cocoa producers on the continent. The Chapter briefly shows the cocoa import trends into the EU, showing the size of the market, the export potential as well as the trading regime between Uganda and the EU. Given the forthcoming African Continental Free Trade Area (AfCFTA), the Chapter also elaborates the potential market for various cocoa products across Africa.

The key objectives of this Chapter are:

- To build the knowledge and understanding of the Ugandan Cocoa SME of the global, EU and African markets for cocoa and the export opportunities therein.
- To provide the Ugandan cocoa SME with a list of credible information and data sources on the cocoa sector.

The Evolution of the Cocoa Trade in Africa

The production and trade of cocoa by Africa with the world over the last four decades has gradually been shaped by four African countries, namely Cote d'Ivoire, Ghana, Cameroon, and Nigeria. The crop has decidedly played an important if not oversized role in the economies of these four countries, shaping the employment landscape and agricultural output over decades. West Africa alone accounts for a little over 70% of global cocoa production.

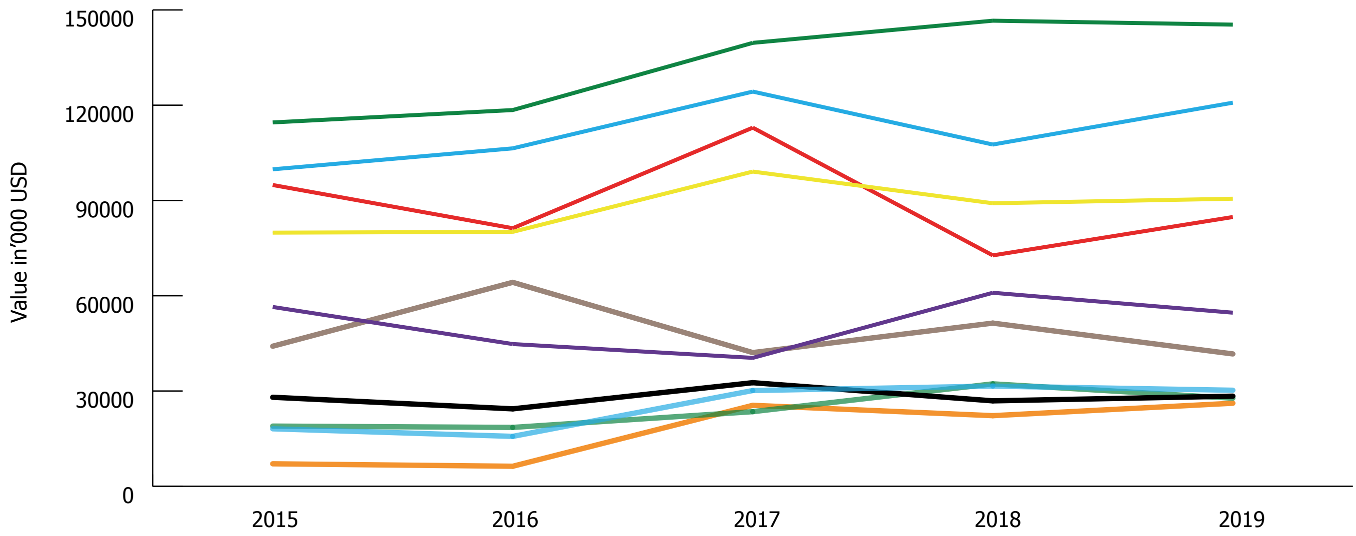
Uganda's share of global cocoa bean output has, over the years, grown, ushering the country into the top cocoa bean exporters from Africa. This development is significant when considered in the context of West Africa's dominant global production position. For a generation, Uganda's cocoa sector has demonstrated the potential to transition from a backwater commodity to one with the potential for growth. No other cash crop in Uganda's economic history has experienced such a broad variation in output like cocoa. Cocoa of the Forastero variety was first introduced in Uganda in 1901, and first exported from Uganda in 1917, abandoned in 1924, on account of its uneconomic nature, then re-introduced in 1955 to diversify foreign exchange sources. Cocoa output in Uganda grew to peak output in the 1960s (in 1965, 461 Ha of cultivated land nationwide); after that, output precipitously declined over the years due to neglect, anaemic investment, and civil strife. In 1986, cocoa output had fallen to 100kg/ha (10,000 ha), down from 300kg/ha (14,000 ha) in 1978. Despite its remarkable recovery (yield currently averages about 700 kg/ha), several obstacles continue to constrain the growth of production as well as its processing capacity.

In the next sections, we briefly analyse the production and trade trends amongst Africa's top four producers and exporters.

Cote'd'Ivoire

Cote'd'Ivoire is the leading producer of cocoa in the world and in Africa. Cocoa from the country accounts for over 38% of total global output and 40% of the exports from the country. Approximately 600,000 farmers grow the crop, in a planted area of approximately 4 million ha, employing approximately 6 million people.[4] According to FAOSTAT data (fig 1), production of cocoa breached the 2 million tonne mark in 2017/18. Yield peaked at 7,000 hg/ha, in the year 2000 but has since declined reaching 4,891 hg/ha in 2018, almost a four-decade low.[5] The environmental impact of cocoa growing in the country has taken a toll with extraordinarily high rates of deforestation.[6] Forest cover has fallen from 7.8 million ha in 1990 to about 3.4 million ha in 2015.[7] By some estimates, deforestation continuing at this rate could see the country lose its total forest cover by 2034. The Conseil Du Café-Cacao regulates the sector.

Figure 1, Cote'd'Ivoire: Cocoa Production, Area Cultivated, & Yields (1961-2018)



Source FAOSTAT

Ghana

Ghana's cocoa exports generate approximately US$ 2 billion per annum. [8] The crop contributes about 10% to agricultural GDP.[9] Approximately 800,000 households grow cocoa in Ghana.[10] According to FAOSTAT data (fig 2), production of cocoa has steadily grown over the last two decades peaking at 947,632 tonnes in 2018, with the area harvested (ha) peaking at 2 million ha with a yield of 3685 hg/ha, in 2004. The yield peaked at 5,495 hg/ha against a harvested area of 1.6 million ha, in the year 2012. Growth in yields has accounted for 80% of the growth in cocoa production in Ghana between 2001 and 2010. The state run COCOBOD regulates the sector.

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4 ESRI (n.d.,) Cocoa Industry in the Côte d'Ivoire: The farming and production of cocoa beans in the West African country of Côte d'Ivoire. Retrieved from https://www.arcgis.com/apps/Cascade/index.html?appid=dd19d4b6444e492da5b069d62d2c3ecb

5 FAOSTAT data. http://www.fao.org/faostat/en/#data

6 From 2001 to 2019, Côte d'Ivoire lost 3.03 million ha of total tree cover, equivalent to 20% decrease in tree cover since 2000. Source: https://www.globalforestwatch.org/ dashboards/country/CIV/

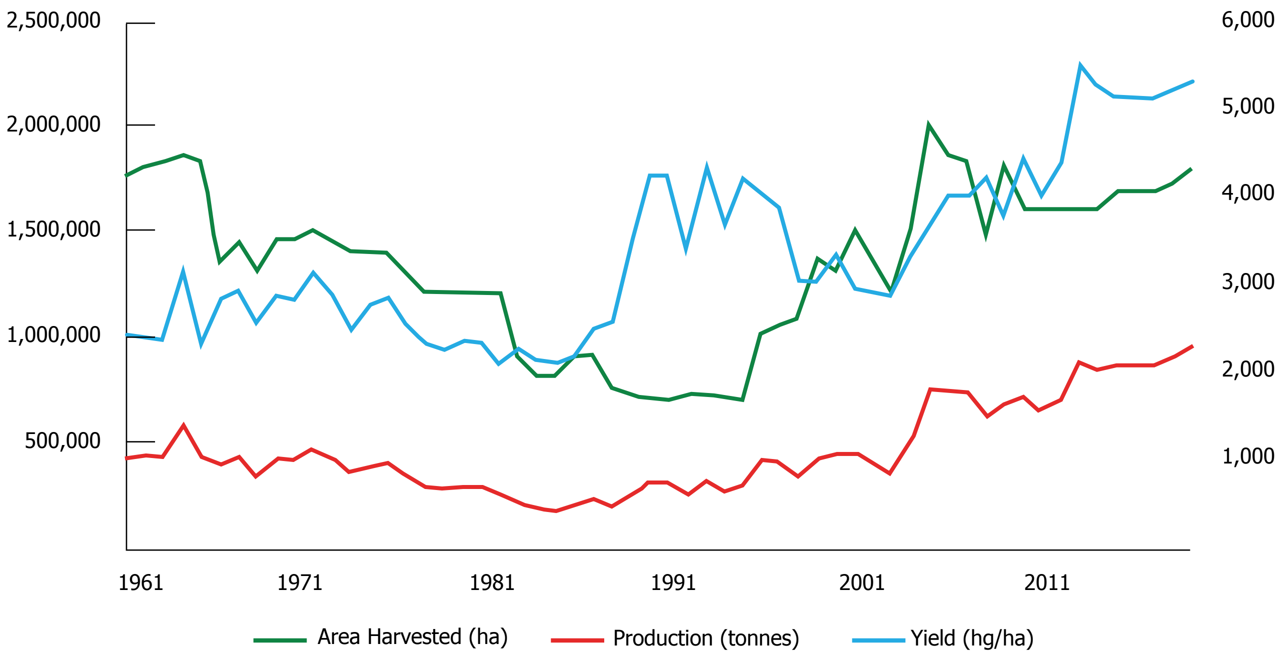
7 ESRI (n.d.,)

8 ITC Trademap Data

9 https://statsghana.gov.gh

10 Samoah, M., & Owusu-Ansah, F. (2017) Report on Land Tenure & Cocoa Production in Ghana. A CRIG/WCF Collaborative Survey. Retrieved from https://www.worldcocoafoundation.org/wp-content/uploads/files_mf/1492612620CRIGLandTenureSurveyFinal41217.pdf

Figure 2, Ghana: Cocoa Production, Area Cultivated, & Yields (1961-2018)



Source FAOSTAT

Nigeria

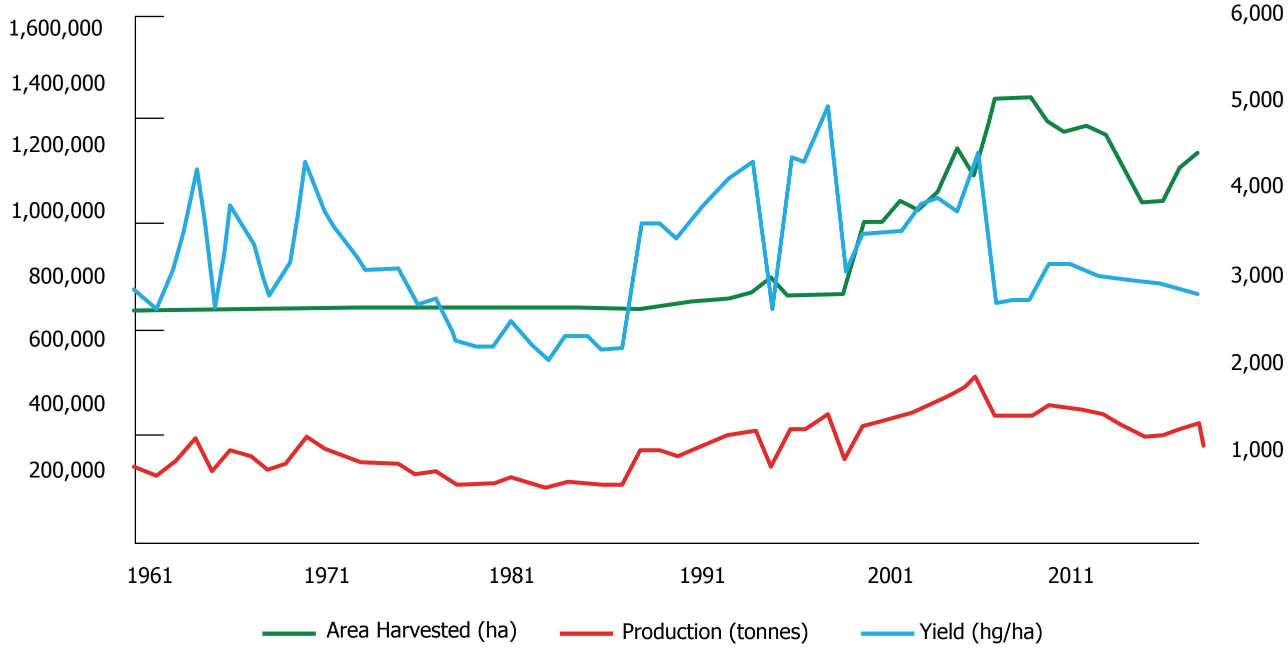
Nigeria is the world's 3rd largest producer of cocoa and also the 4th largest exporter of Cocoa from Africa[11]. The crop is planted on approximately 800,000 hectares of land, with approximately 300,000 farmers growing the crop, most of whom are in western Nigeria.[12] According to FAOSTAT data (see fig 3), Nigeria's cocoa output reached a high of 441,000 tonnes with a yield of 4,393 hg/ha, in 2005. The yield which peaked at 4,980 in 1998, has since declined to about 2,818 hg/ha in 2018. Harvested area peaked in 2008, at 1.3 million ha in 2008, but has since fallen almost below the 1 million ha mark in 2015. The cocoa sector was regulated by the state but was liberalized in 1986.[13] Nigeria will remain a formidable player in the cocoa sector for the foreseeable future.

11 ITC Trademap Data

12 Center for Public Policy Alternatives (2017). Cocoa Production in Nigeria. A Literature Review. Retrieved from http://cpparesearch.org/nu-en-pl/cocoa-production-in-nigeria/

13 FAO (2013). Analysis of Incentives and Disincentives for Cocoa in Nigeria. MAFAP. Retrieved from http://www.fao.org/3/a-at586e.pdf

Figure 3, Nigeria: Cocoa Production, Area Cultivated, & Yields (1961-2018)

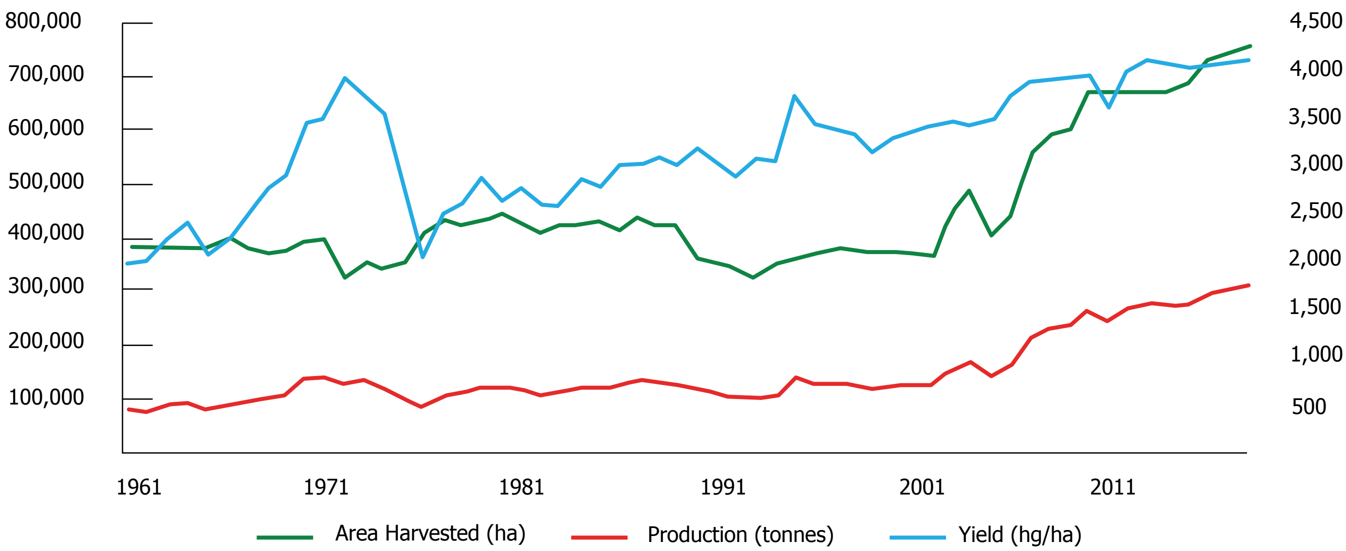


Source FAOSTAT

Cameroon

Cameroon is the 4th largest producer of cocoa in Africa. Cocoa in Cameroon inhabits approximately 37% of the total cultivated area of the country, with a large segment of the rural population deriving their livelihoods from the crop.[14] According to FAOSTAT data (fig 4), over the last five decades, the produced tonnage has increased from a low of 75,000 tonnes in 1961 to about 307,000 tonnes per annum in 2018 (Faostat). Broadly, the area harvested (ha) has grown at a faster rate than the yield (hg/ha). The average yield (hg per ha) over the last six decades has been 3,173 (~128 kg per acre). The National Cocoa and Coffee Board (NCCB) regulates the sector.

Figure 4, Cameroon: Cocoa Production, Area Cultivated, Yields (1961-2018)



Source FAOSTAT

14 Nkelle, V, N. (n,d.) The Sustainability of Cameroon Cocoa Economy. ICCO - Cocoa Round Table. Retrieved from https://www.icco.org/sites/www.roundtable-cocoa.org/documents/3%20Mr.%20Ngo%20Nkelle%20Victor%20-%20Cameroon.pdf

The largest exporters of cocoa beans from Africa account for about 68% (over the period 2015 - 2019) of global cocoa exports.[15] Côte d'Ivoire is the largest exporter (US$ 4.1 billion in 2019), followed by Ghana (US$ 1.5 billion in 2019), Cameroon (US$ 621 million in 2019) and Nigeria (US$ 248 million in 2019). According to ITC Trademap data, over the period 2015 to 2019, the top three largest importers of cocoa beans globally were the Netherlands (average US$ 2.33 billion per annum), Germany (average US$ 1.23 billion) and the United States (US$ 1.18 billion).

Table 1, HS1801 Africa: Top 5 Cocoa bean exporters by value (000 US$) (2015 – 2019)

Importers	2015	2016	2017	2018	2019
World	10,374,277	9,324,772	8,820,596	9,599,706	9,764,228
Côte d'Ivoire	3,553,796	3,067,554	3,540,983	3,245,320	4,148,140
Ghana	2,729,756	1,886,219	1,642,052	2,437,194	1,506,915
Cameroon	767,181	669,606	403,021	518,199	621,622
Nigeria	447,695	243,945	176,227	256,168	248,809
Uganda	56,684	74,996	54,208	64,695	68,100

Source; ITC Trademap data

The two biggest producers of cocoa in west Africa (Côte d'Ivoire and Ghana together produce two-thirds of global cocoa) continue efforts to become price makers in the global markets.[16] The global cocoa beans market is expected to grow at a compound annual growth rate (CAGR) of 7.3% from 2019 to 2025 to reach US$ 16.32 billion per annum.[17] Such a prediction underscores the importance of cocoa and the role the crop will play in driving beverage and chocolate consumption globally.

Figure 5, Africa: Exported Values of Cocoa by Country

Source: ITC Trademap

15 According to ITC Trademap data. See Table 1.

16 Ghana and Ivory Coast have imposed a living income differential of US$ 400 per tonne for all cocoa sales for the 2020/21 season. https://www.reuters.com/article/us-ivorycoast-ghana-cocoa-sustainability/ivory-coast-ghana-looking-to-regulate-cocoa-industrys-sustainability-schemes-sources-idUSKCN1VV28J

17 (source: Grand View Research. (2019). Cocoa Beans Market Size, Share & Trends Analysis Report By Application (Cosmetics, Confectionery, Pharmaceuticals), By Product (Butter, Powder, Liquor), By Distribution Channel (Online, Offline), And Segment Forecasts, 2019 - 2025. Retrieved from https://www.grandviewresearch.com/industry-analysis/cocoa-beans-market)

Exploring Opportunities in the EU

The EU is an important market for all cocoa producing countries, Uganda included. It is important to note that Cote'd'Ivoire and Ghana mainly serve the bulk conventional cocoa segment in the EU with a small share of bulk certified. Uganda serves to a greater extent, the certified bulk cocoa segment and the specialty niche bean-to-bar segment.[18] The 28 countries (EU and the UK) combined account for an average of US$ 6 billion of cocoa imports over the period 2015 to 2019, representing approximately 60% of the total global trade in cocoa beans.[19] The top three importing EU countries account for an annual average of 75% of the EU's imports of cocoa beans, with the Netherlands averaging US$ 2.5 billion, Germany US$ 1.23 billion, and Belgium US$ 709 million.

Table 2, HS1801 Cocoa beans Imports in the EU-28 by value (000 US$) (2015 – 2019)

Importers	2015	2016	2017	2018	2019
World	9,964,068	10,866,748	10,003,774	9,745,434	9,698,911
European Union (EU 28) Aggregation	5,917,783	6,756,204	5,936,066	5,800,434	5,809,996
Netherlands	2,277,307	2,755,224	2,477,678	2,623,444	2,533,881
Germany	1,240,811	1,406,860	1,173,800	1,178,149	1,182,468
Belgium	831,292	1,003,826	805,717	592,909	719,733
France	448,233	485,592	396,771	419,076	414,733
United Kingdom	160,500	137,384	243,591	264,471	248,425
Italy	316,067	312,204	298,455	256,095	248,295
Spain	338,261	350,381	300,355	228,221	239,196
Austria	77,231	86,082	25,422	71,083	70,417
Bulgaria	139	339	5,172	33,251	42,792
Poland	47,692	38,550	40,823	31,935	37,706
Estonia	125,564	111,943	116,409	50,008	29,999
Slovakia	23,684	33,399	26,396	24,997	19,670
Greece	9,893	13,693	7,854	9,097	8,265
Denmark	11,412	14,518	10,963	11,855	8,104
Croatia	3,153	4,454	4,840	3,786	3,631

Source: ITC Trademap Data 2015

18 "Uganda mainly trades conventional cocoa; certified UTZ/RA, Fairtrade, Organic (or combination of the certifications), and specialty cocoa, including fine flavour. Specialty cocoa can also be traded certified." Ntale C., & Mulder, H. (2020:61, 63) Uganda Cocoa Sector Analysis: Cocoa Production, Supply and Demand. International Trade Centre (ITC).

19 Over the period 2015 to 2019. Refer to Table 2. Data Source: ITC International Trademap Data

The EU accounts for the largest share of global cocoa trade because of its diversity and also the size of the chocolate industry. Europe is the world's largest manufacturer and exporter market of chocolate and also the largest chocolate confectionery sales market.[20] European countries exported the highest dollar worth of chocolate in 2019, worth US$ 21.7 billion, approximately 74.3% of overall international chocolate sales.[21] Globally, in 2019, eight of the top fifteen chocolate exporters were EU countries led by Germany (US$ 4.9 billion), Belgium (US$ 3.2 billion), Italy (US$ 2.1 billion), Netherlands (US$ 2 billion) and Poland (US$ 1.8 billion).[22] The European chocolate market is expected to grow an average annual rate of 3% from 2018 to 2022 while the global dark chocolate market is expected to grow at an average annual growth rate of 8.5%, from 2017 to 2026.[23]

The EU provides a significant opportunity for importing cocoa from Uganda. Despite a general decline in the share of Uganda's cocoa exports to the EU (from 59% in 2014, 60% in 2015, down to 49% in 2017, then 24% in 2018), the 5 EU countries accounted for an average of 41% of Uganda's cocoa exports by value over the period 2014 to 2019. The EU market has a strong and vibrant chocolate processing industry capable of sustaining demand (both production and consumption) for cocoa and chocolate products for the foreseeable future. Additionally, according to CBI,[24] the EU is the world's largest chocolate manufacturer and exporter, enjoying 49% global market share of chocolate confectioneries in 2017 and 70% of global chocolate exports (Germany is the world largest exporter of chocolates.)[25]

In 2019, the Netherlands imported cocoa beans worth US$ 1.134 billion from Côte d'Ivoire, followed by US$ 388 million from Cameroon, US$ 335 million from Ghana, and US$ 331 million from Nigeria. The seaport of Amsterdam in the Netherlands is the main entry point of cocoa beans into the EU. However, the Netherlands is also home to the largest cocoa grinding industry globally.[26] It, therefore, consumes a substantial share of the imported cocoa bean while reexporting an average of 19% to Germany and France.[27] Uganda exported US$ 6.32 million worth of Cocoa beans to the Netherlands in the same year. Despite Uganda's low export volumes to the Netherlands, Uganda's export potential with the Netherlands is US$ 36 million, revealing an untapped potential of US$ 31.8 million, this according to ITC Export Potential Map (see figure 6 below). According to the Export Potential Map, the export potential for Uganda's cocoa beans with Belgium is US$ 12.5 million (untapped potential remaining US$ 10.4 million), and Germany, US$ 14.7 million (untapped potential remaining US$ 8.5 million). The Export Potential Map turns economic analysis into practical trade information. TSIs are particularly encouraged to use the tool for an updated analysis of the untapped potential for cocoa exports to the EU and other countries.

20 http://www.cbi.eu/market-information/cocoa/trade-statistics/

21 Workman, D. (2020, June 18). Chocolate Exporters by Country. Retrieved from http://www.worldstopexports.com/chocolate-exporters/

22 *ibid*

23 New Daily Herald (2019). Dark Chocolate Market Expected to Witness A Sustainable Growth over 2017 to 2026. https://www.newdailyherald.com/2019/04/03/dark-chocolate-market-expected-to-witness-a-sustainable-growth-over-2017-2026/

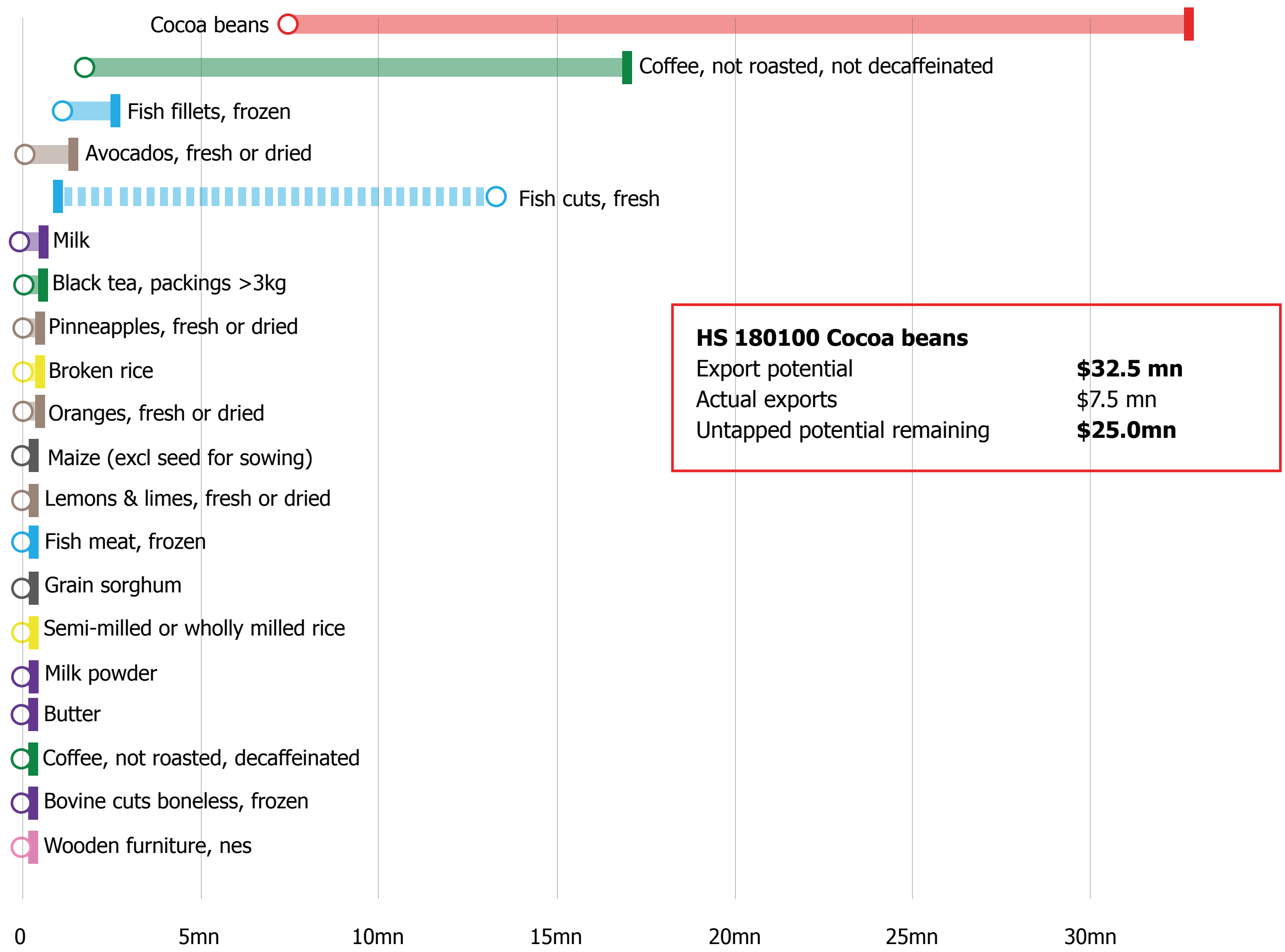
24 http://www.cbi.eu/market-information/cocoa/trade-statistics/

25 http://www.cbi.eu/market-information/cocoa/trade-statistics/

26 https://www.cbi.eu/market-information/cocoa-cocoa-products/netherlands/market-potential

27 According to the International Trade Centre (ITC) Trade Map.

Figure 6, Uganda's Export Potential with the Netherlands



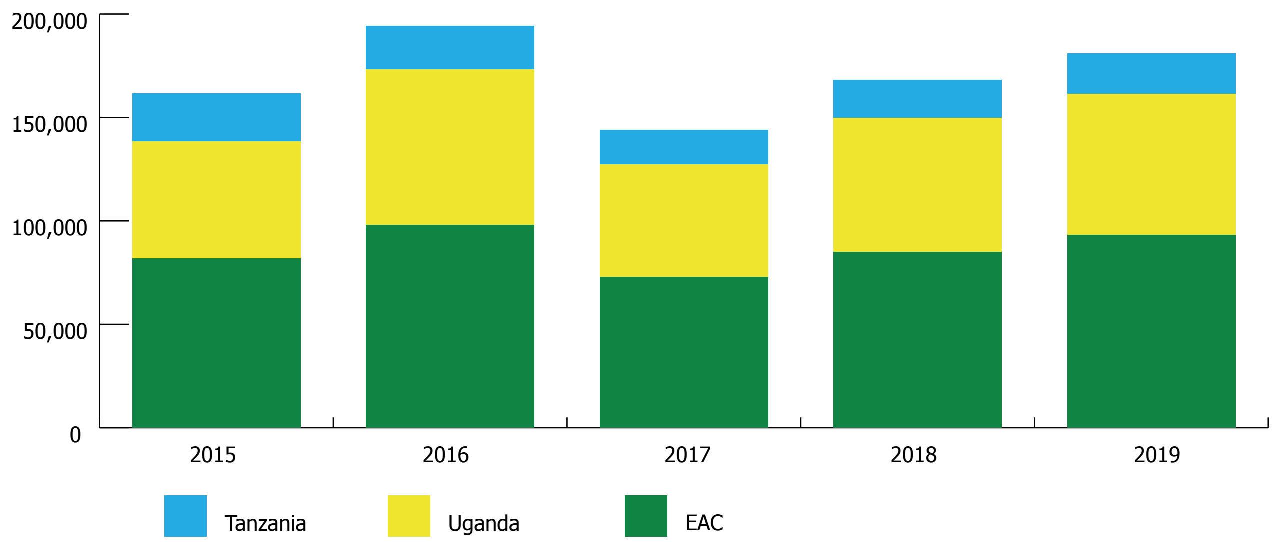
Source https://exportpotential.intracen.org/

Overview of the EAC Cocoa Trade – current and potential

The East African Community (EAC) is not considered a major cocoa production area globally. Three of the six EAC partner states combined produce 40,000 tonnes of cocoa, only 2.3% of total global output. The majority of cocoa produced in the EAC is by Uganda and Tanzania; Uganda being the 5th biggest African exporter, averaging 1% of global exports over the period 2015 - 2019.

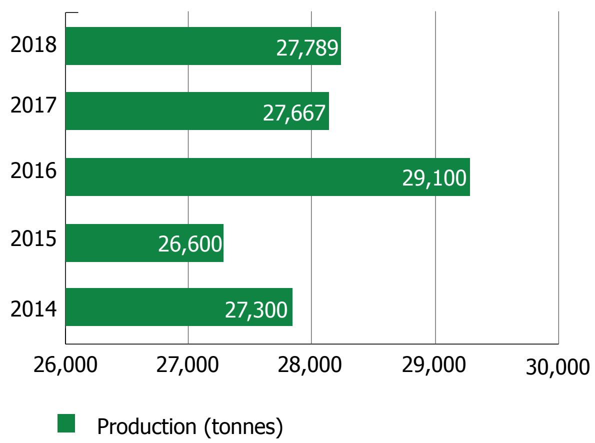
Figure 7, EAC HS1801 Cocoa beans exports by value (000 US$) (2015 – 2019)

Source: ITC Trademap



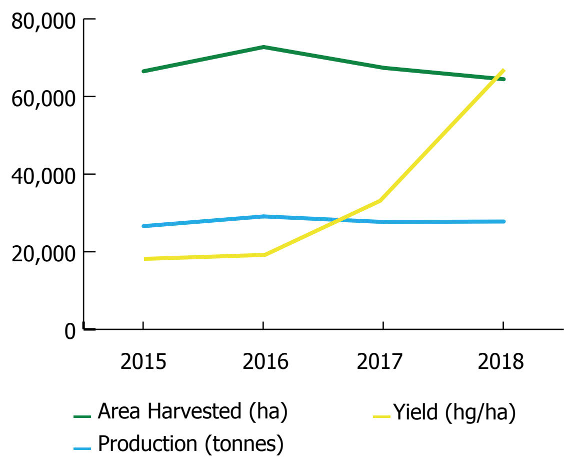
Uganda's Cocoa production has averaged 27,000 tonnes per annum over the period 2014 to 2018, with an average yield of approximately 166 kg/acre. However, according to the latest report on cocoa production in Uganda, the more realistic average based on the distribution of yield as measured across various production regions in Uganda is 270 kg/acre.[28] Bundibugyo registers a yield of approximately 525 kg/acre, Mukono 355 kg/acre, and Hoima 323 kg/acre.[29] Based on FAOSTAT statistics, Tanzania's production averaged approximately 8,500 tonnes per annum with a yield of 707 kg/ha (283 kg/acre) over the same period.

Figure 8, Cocoa Production, Yield, Area (2015 – 2018)



Source: FAOSTAT

Figure 9, Uganda Cocoa Production (tonnes)



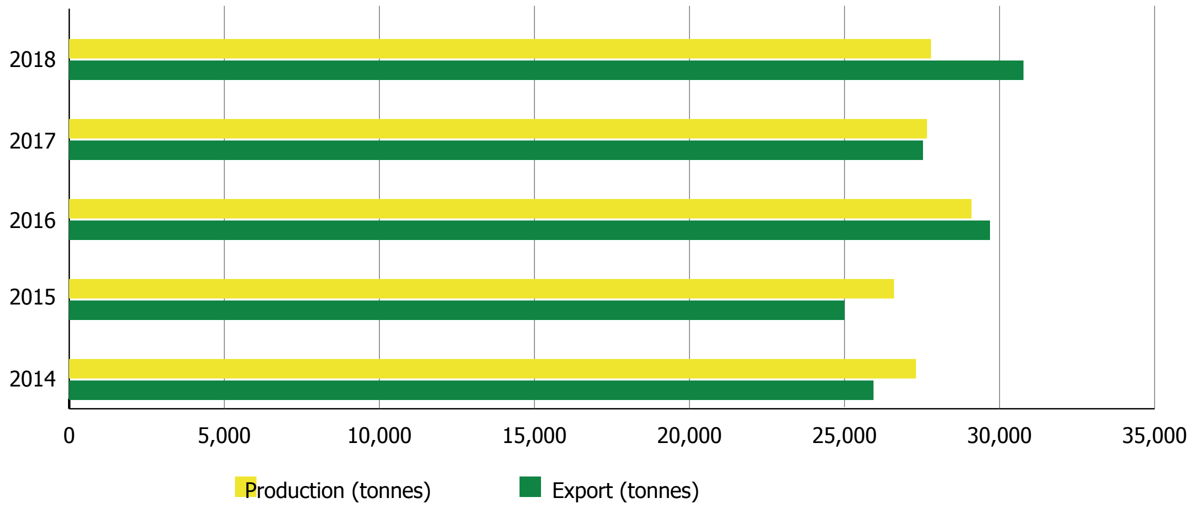
Source. FAOSTAT

28 Ntale C., & Mulder, H (2020:15) Uganda Cocoa Sector Analysis: Cocoa Production, Supply and Demand. International Trade Centre (ITC).

29 *ibid*

Uganda's total output is almost entirely exported from the country mainly to Malaysia, Indonesia, India and the Netherlands. The major explanation for this is lack of a sizeable domestic confectionery and chocolate industry that would otherwise compete with exports. There is significant scope and potential for expansion and growth of Uganda's cocoa output and trade. The country's total production volume of between 26,000 tonnes and 30,000 tonnes per annum, seems far below the potential output. The estimated planted area of 21,000 ha[30] of cocoa compared to the suitable area of up to 83,600 ha[31] of arable land with food crop, is a proxy of how much more cocoa could be grown for export, provide tangible environmental benefits when grown in an agroforestry setting,[32] and create additional jobs for small farmers. In the context of the dire need for reforestation of large swathes of Uganda[33], a policy for the controlled expansion of planted acreage of cocoa is urgently required.

Figure 10, Uganda: Cocoa Production & Exports (tonnes) 2014 - 2018



Source: ITC Trademap and FAOSTAT Data

Opportunities under the EAC Customs Union

Cocoa is a base crop for a diverse range of industries at different levels of value addition. The most common use of cocoa is for making chocolate products. However, the following are potential value-added products from cocoa.

i) Unrefined and refined cocoa butter: a key base for other by-products including soaps and washing liquids, moisturising lotions, cosmetics, lip balms, sunscreens and suppositories.

ii) Cocoa liquor, also called cocoa mass: a by-product that can be further alkalized to produce cocoa powder.

iii) Pod husks and fresh pulp: the potential for production and export of pod husks and fresh pulp from Uganda is limited on account of the processing methods[34] applied in the Cocoa industry in Uganda.

30 "The total area under production is estimated at 21,000 Hectares (equivalent to 42,500 acres)" (Ntale & Mulder, 2020:13)

31 ADC/IDEA (1998:7) Baseline Survey on Cocoa Production in Selected Districts in Uganda. ADC/IDEA Project.

32 Cocoa naturally provides valuable nutrients, organic matter and beneficial microorganisms that may reduce chemical fertilizer applications, denitrification, fertilizer runoff and soil erosion. The crop when grown as part of an agroforestry system can help conserve biodiversity, contribute to microclimatic control such as stimulating rainfall and carbon sequestration. Source: http://www.mightyearth.org/wp-content/uploads/Agroforestry-in-the-cocoa-sector.pdf

33 In the last two and a half decades, Uganda's forest cover has dwindled from 5 million ha to 1.9 million ha (~ 9% forest cover) source: https://fairventures.org/en/our-work/reforestation-in-uganda/

34 Most cocoa pod husks are lost during processing. Also, over 99% of cocoa beans are fermented.

iv) Cocoa husks (testa): used to make mouthwash and toothpaste (Cocoa bean husk, the outer part of the coco beans which is usually discarded during chocolate production, has an anti-bacterial effect on the mouth and can fight effectively against plaque and other damaging agents).[35]

v) Cocoa husk pigments,[36] pod gums,[37] and mulches.

Other industrial uses of cocoa are in cosmeceutical and nutraceutical industries (because of the antioxidant properties of flavonoids and flavanols in the cocoa).

The opportunities for intra-EAC trade, therefore, are not necessarily in the cocoa beans segment, but in some cocoa value-added segments, because the EAC is a net importer of chocolate-based food additives for the confectionery industry. Despite a common external tariff (CET) of 25% on chocolate and other food preparations containing cocoa (HS 18.06), the EAC in 2019, imported US$ 16.9 million worth of cocoa food preparations (Kenya – US$ 11.1 million, Tanzania – US$ 3.9 million, and Uganda US$ 1.1 million). Also, the export potential for cocoa food preparations is substantial, though highly competitive. Cocoa butter (HS 18.04) is a virgin segment in the EAC, due to the relatively nascent and undiversified cosmetic industry. Potential investors in industrial-scale cocoa processing capacity should consider the opportunity cost of exporting semi-processed cocoa with producing cocoa butter and its sensitive export logistics.[38] To grow intra-EAC trade as well as export potential, the EAC partner states would be well served by coordinated investment and industrial policies in order to stimulate the growth of the industries which consume and produce cocoa derivative products. Trade policies are also instrumental for ensuring that tariff liberalisation and regional sensitive lists are supportive towards enhancing the pace and scope of opportunities within the EAC. More importantly, non-tariff barriers within the EAC must be addressed decisively through public-private dialogue, including through effective trade facilitation reforms.

Opportunities under the AfCFTA

African governments have recently responded in strategic fashion to the need to grow Intra-African trade volumes and values. The latest ambitious initiative in pursuit of this objective is the African Continental Free Trade Area (AfCFTA) signed at the 10th extraordinary summit of the AU assembly on the 21st of March 2018 in Kigali, Rwanda. The objectives of creating a single continental market for goods and services, with free movement of investments and expansion of intra-African trade across the regional economic communities (RECs) will no doubt be reliant on more effective and efficient regional transport and communication infrastructure as well as the free movement of services that facilitate the trade in goods across borders.

Cocoa and cocoa derivatives are not significantly traded within the African Regional Economic Communities (REC) and also between African states, despite the continent (mainly West Africa) serving over 40% of global exports and producing 75% of cocoa output. Africa imported only US$ 48.9 million worth of cocoa butter (HS 18.04) in 2019 (Egypt US$ 21.2 million, and South Africa 18.9 million, imported from Malaysia, Singapore and the United Kingdom). In 2019, Africa's imports of chocolate and other food preparations (HS 18.06) were US$ 555.3 million (South Africa US$ 111 million, Libya 109 million, Morocco US$ 60 million, Egypt US$ 49 million, and Algeria US$ 30 million, imported mainly from the EU)

35 University of West Indies, Trinidad. Cocoa Research Centre http://crc.edu.tt/sta.uwi.edu/cru/valueaddedproducts.html

36 The Japanese confectionery and bakery food industry is a considerable consumer…

37 Chocolate Mouth Rinse: Effect on Plaque Accumulation and Mutans Streptococci Counts when used by Children. https://pubmed.ncbi.nlm.nih.gov/18603731/

38 "The melting point of cocoa butter is at about 38°C. It starts getting soft at 35°C. Due to high claims on this cargo caused by loss of weight, condensation and damage as a result of melting, it is necessary to pay the utmost attention to the stowage." Source: https://www.cargohandbook.com/Cocoa_Butter

The major structural challenge in the African cocoa production market (mainly West Africa) that portends implications for the rest of Africa is the oversized production capacity which far exceeds cocoa industrial processing capacity. However, countries like Ghana have demonstrated some potential for value-addition by incubating, with some success, small and medium sized chocolate processors,[39] though the focus remains on the domestic market with few exports to regional markets. In the context of fully liberalised African markets, the opportunities, whilst hard to quantify, are immense. For opportunities across the broad spectrum of cocoa derivatives to be more achievable, the tariff concessions and the rules of origin, particularly amongst the RECs, should be flexible and also converge as much as possible. However, investment, competition policy and intellectual property rights could still work in favour of multinational corporations (like Nestle, Mars, etc), who already are significantly present in Africa as well as enjoy technological and intellectual property advantages.

Box 1: Understanding the trading regime under the AfCFTA

The Agreement to establish the AfCFTA was signed by 44 Heads of State and Government of the 55 AU member states on 21 March 2018. **The AfCFTA entered into force on 30 May 2019 with 24 countries** having deposited their instruments of ratification, thereby fulfilling the Art. 2 of the AfCFTA Agreement that required 22 ratifications and deposits. **As at July 2020, 30 countries have both signed and ratified the AfCFTA Agreement. Of the 55 AU member states, only Eritrea has yet to sign.** AfCFTA Agreement provides the framework for detailed negotiations on Trade in Goods, Trade in Services (5 priority sectors identified), and Phase II on other issues like Competition Policy, IPR and Investment. **The AfCFTA aims to doubling intra-African trade, which currently stands at 18% of total exports against 59% in Asia and 69% in Europe. It will cut tariffs on tariffs on 90% of goods traded within the continent as well as increase trade in more in value added products.** Once operational, the AfCFTA will bring together the economies of **55 African states under a pan-African free trade area comprising 1.2 billion people, in a market with a combined GDP of about $2.5 trillion to $6.4 trillion** (UNECA, WB).

Trading under the AfCFTA Agreement was **due to commence on 1 July 2020**, but due to the COVID-19 global pandemic, this date is being postponed and a new date is yet to be confirmed by the African Union Commission (AUC). More importantly, **negotiations on the tariff concessions as well as the rules of origin, two critical aspects of any trade in goods, are yet to be completed.**

For the cocoa sector, not only is this a large market, the future also looks promising given that by **2050 Africa's population is projected to reach 2 billion, with a predominantly young population and a rising middle class**, factors that auger well for the industry. This expanded market provides the needed economies of scale to support value addition with the target being the African market.

39 The Ghana Cocoa Processing Company Limited manufactures chocolate, drinking chocolate, chocolate spread, and natural cocoa powder https://www.goldentreeghana.com 57 Chocolate https://www.57chocolategh.com is another case in point.

Benefiting from the EAC-EPA / EBA

The Everything-But-Arms (EBA) agreement is one-way (non-reciprocal) and gives Uganda and other countries tariff- and quota-free access to the EU market at very generous rules of origin-terms. The interim EAC-EU Economic Partnership Agreement, which isn't yet in force, promises duty- and quota-free access to the EU market for all EAC exports with improved rules of origin but with liberalization commitments on the part of the EAC and the EU. The EAC-EPA expands the scope of trade between the EAC and the EU, first by providing duty-free and quota-free access for EAC exports into the EU. The staggered reciprocal tariff liberalization by EAC states for imports from the EU is over a 10-year period from the date that agreement enters in force. The EPA affords the EAC, protection for selected raw and value-added cocoa products. (i.e., HS180100-cocoa beans, HS180200-cocoa shells… at 10%, HS180610 - Cocoa powder, containing added sugar or other sweetening matter at 25%) which the EAC can consider for industrial establishment and growth.

Box 2: Understanding the trading regime between the Uganda and EU

Uganda enjoys duty free, quota free access to the EU market for Ugandan products under the **"Everything but Arms"** scheme under the Generalised System of Preferences of the EU.

Under the EBA scheme, Uganda's exports enter the EU on the following preferential terms;

- **'Duty free, quota free (DFQF)' basis** – meaning there are no duties paid, nor are there any quotas imposed.
- The cocoa being exported needs to be accompanied by **Proof of Origin – through a certificate of origin issued by the Uganda Revenue Authority.**
- **For goods whose total value does not exceed € 6,000,** a declaration on proof of origin can be given by an approved exporter or by any exporter. The proof of origin is valid for ten months.
- Exemption from proof of origin: When the total value of the imported products does not exceed €500 in the case of small packages or €1,200 in the case of products forming part of personal luggage.

Specific requirements for cocoa exports are elaborated in Chapter 2 of this Guide.

Note: The 27 Members of the EU form a single territory for customs purposes. The United Kingdom withdrew from the EU and is a third country as of 1 February 2020. During the transition period, which ends on 31 December 2020, Union law, with a few limited exceptions, continues to be applicable to and in the UK.

Where to find additional / updated information

This Chapter has provided the Uganda cocoa SME with an overview of the export market for Ugandan cocoa, its size, the main buyers and the unexploited potential especially in Europe and Africa. Information on the latest developments regarding the EU preferential agreements including the EU-EPA and the EBA can be found at the Official EU website https://trade.ec.europa.eu. In the EAC, information regarding trade agreements and other arrangements can be found at the following web addresses:

- the official EAC website https://www.eac.int
- the WTO trade facilitation agreement https://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm
- the African Union https://au.int/en/cfta
- Other secondary sources with additional analysis on trade agreements with the EU and the AfCFTA are:
- The Trade Law Centre https://www.tralac.org
- The International Trade Centre http://www.intracen.org/news/Continental-agreement-country-implementation-Making-the-AfCFTA-a-reality/
- The International Trade Centre http://www.intracen.org/New-ITC-report-Insights-to-diversify-trade-in-Africa/

Chapter 2: Meeting EU Importing Market Requirements

Overview and Objectives of Chapter 2:

This Chapter provides an overview of the requirements for cocoa destined for the EU market. It thus elaborates the mandatory and voluntary quality, health and safety, labelling and packaging-related requirements as well as various market preferences and trends that existing and aspiring cocoa exporters to the EU should be aware of.

The **key objectives** of this Chapter are:

- To provide the Ugandan cocoa SME with a consolidated and simplified reference to the mandatory requirements for exporting cocoa to the EU;
- To provide the Ugandan cocoa SME with an overview of EU cocoa market preferences and trends that the SME may tap into;
- To provide Uganda's TSIs with a reference point for the requirements SMEs must fulfil to tap into the EU Market; and,
- To point the Ugandan cocoa SME and TSIs to sources of credible information on requirements and market preferences for cocoa exported to the EU.

Sanitary and Phytosanitary Requirements for Cocoa

A fundamental requirement of the international food trade is food safety. The World Trade Organization Sanitary (human and animal health) and Phytosanitary (plant) (SPS) agreement lays out the rules on how governments can apply food safety, animal and plant health measures (aka SPS measures) to meet the public safety objective of consumer protection. All countries are obligated to maintain measures they deem appropriate to ensure the safety of their consumers. However, different countries are permitted to use different standards and methods of inspecting food and its derivatives. From an international perspective, the principle of non-discriminatory application of SPS measures is important and underpinned by systemic harmonization based on agreed frameworks (CODEX, IPPC, and others). The aim is for the measures to provide "the same" level of health protection to consumers. Applied measures should, therefore, be transparent, "scientific" and also not be restrictive to trade. The practice of transparency operates through an international notification system via national "enquiry points," which notify the WTO who in turn circulates notifications of adjusted measures or new ones to all its members. In Uganda, the national enquiry point is the Ministry of Agriculture, Animal Industry, and Fisheries (MAAIF). The Contact details of MAAIF are in Chapter 3 (Step-by-Step Export procedures in Uganda)

Compliance with Cocoa SPS Measures

The cocoa and cocoa derivative-products' trade with the EU, like other food commodities, is subject to SPS measures. This is to ensure that cocoa plants and its by-products are free from pests, diseases, and other harmful substances such as Ochratoxin "A" (OTA), Polycyclic Aromatic Hydrocarbons (PAH), Free Fatty Acids (FFA) and heavy metals such as lead and cadmium. Microbiological/Salmonella is another contaminant that must be watched. In Uganda, most food safety standards and their associated requirements are equivalent to key international food safety standards applicable in a broad range of key international markets.

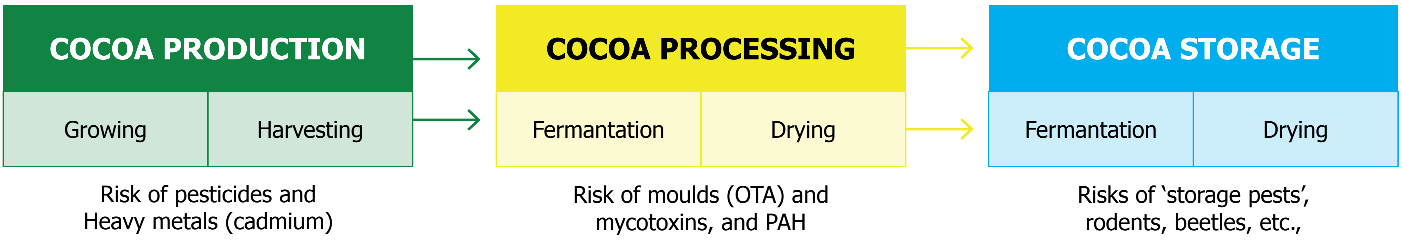
However, from a practical viewpoint, it is critical to understand that proper compliance with SPS measures is best achieved at every level of the cocoa value chain. For example, heavy metal levels and pesticide residue levels are best controlled during cocoa production. The risk of cadmium is much less considerable in Uganda and rare and is usually associated with cocoa grown on volcanic soils (According to a soil sampling done by the CODEX Committee on Contaminants in foods in 2016 in Uganda, cadmium levels in the beans range from 0.065 – 0.355 mg/kg). Good Agricultural Practices (GAP) are a key support component of SPS compliance at the production stage.

The risk of harmful substances such as Ochratoxin "A" (OTA), Polycyclic Aromatic Hydrocarbons (PAH), occurs most at the fermentation and drying stages. Mycotoxins, including ochratoxin-A (OTA) - are produced by fungi or moulds (and are usually orders of magnitude more toxic than pesticides and may therefore be partly due to failures in pests management). Poly-aromatic hydrocarbons (PAH) can result from cocoa beans coming into direct contact with smoke, for example, during artificial drying using poorly designed or poorly maintained dryers. In Uganda, the most common method of drying is sun drying, which, if too slow favours the development of moulds (and also off-flavours). Artificial drying, which is better, increases the risk of PAH if done using smoking methods.

The risk of "storage pests" (beetles, rodents) is highest during the cocoa storage stage. Therefore, "good storage practices" (GSPs) are essential. There are no published GSPs for the cocoa sector in Uganda. However, processors and exporters are encouraged to abide by the published Federation of Cocoa Commerce (FCC) "statement of best practice for managing infestation and Fumigation" available here[40] and "Good Warehousing Practices" (GWPs) can be found on the ICCO[41] SPS website.

Compliance documentation for Exports

Proof of compliance with SPS is provided in the relevant documentation issued after inspections by the relevant authorities are performed at each stage of the production and export process. However, cocoa producers and exporters should establish and operate a food safety audit and inspection system that codifies and documents processes and procedures for testing and certifying food safety at the farm and in the storage facilities. The process of acquiring and operating such a food safety system, e.g., HACCP, is available on the UNBS website. Information regarding certification service providers is provided in the standards section of this guide. Below is a schematic diagram that maps the SPS compliance trajectory (including the critical control points) along the cocoa value chain.



The Ministry of Agriculture's department of crop inspection and certification, which is the national SPS enquiry point, inspects and issues SPS certificates for cocoa export consignments. The MAAIF issues the SPS certificate after the cocoa export consignment has passed inspection and is free of any regulated pests and disease and conforms to the requirements of the importing country. Additional documentation (fumigation certificate) is provided after the consignment is fumigated, providing proof it isn't infested with storage pests, rodents or beetles. (For details on the export documentation process, refer to Chapter 3: step-by-step export procedures and Chapter 4: Cocoa Import Procedures into the EU).

40 https://www.cocoafederation.com

41 https://www.icco.org/sites/sps/index-2.html

Standards and Technical Requirements for Cocoa

Standards and technical requirements for the cocoa trade are cantered on the quality dimensions of the final product, cocoa beans. In a similar fashion to what was previously observed regarding SPS compliance, the quality of cocoa is dependent on good practices along the value chain. For example, after harvesting the cocoa pods, care must be exercised while opening the pods, not to damage the beans. It is advised that a wooden club be used to strike the central area of the pod, causing it to split into two halves, thereby keeping the beans largely intact. Broken beans are susceptible to moulds during drying. At this stage, the wet beans should not be placed on the open ground. This is to avoid foreign bodies contaminating them. Fermentation of the cocoa beans is crucial to the quality of the cocoa beans, mainly flavour and colour. The fresh cocoa beans should ideally be fermented in custom-made boxes (350kg each and cascaded), as opposed to open air methods. The process takes about 5 to 7 days and involves the manual mixing and turning of the optimum cocoa heap-size along the cascaded boxes every 2 days, while maintaining the optimum fermentation temperature. During fermentation, the beans undergo pulp degradation, followed by acidification and then lastly browning. Poor fermentation practices can result in cocoa beans of a purple colour and a bitter taste.

Box 3: Cadmium:

Cadmium is a heavy metal and an environmental contaminant commonly found in volcanic soils. Cocoa trees absorb cadmium from the soil through their roots and the metal accumulates in the leaves and beans. Several factors influence the presence of cadmium in cocoa beans, such as variety of the tree, cadmium levels in the soil and post-harvest practices. The cadmium limits are applicable to cocoa products such as cocoa powder and chocolate preparations. These limits are not easily translated to limits for cocoa beans. The maximum permitted levels of cadmium in cocoa and derived products are found in the cocoa directive 2000/36/EC

Standards, Specifications and Quality Requirements for Cocoa Beans

The process of sampling, grading, and testing cocoa beans is important for establishing the quality of cocoa. This is because importing countries, particularly in the EU, require that Ugandan cocoa conforms to several recognized Global Food Safety Initiative (GFSI) standards as well as internationally agreed food safety standards. Uganda has not yet operationalized a national guideline for a national cocoa quality grading and certification system. As such, the Uganda National Bureau of Standards (UNBS), has in place voluntary (non-mandatory) cocoa standards for:

- Ochratoxins (US CAC/RCP 72:2013)
- the cocoa bean cut test (US ISO 1114:1977)[42]
- the cocoa bean moisture content (US ISO 2291:1980)[43] and
- the Cocoa bean sampling (US ISO 2292)[44]

UNBS also has in place:

- the storage and disinfection standard (US ISO 2451:1973) which is mandatory.

Other applicable international standards include ISO 2451:2017 specifications and quality requirements (https://www.iso.org/standard/68202.html) and the ICCO quality certification for cocoa dry beans

42 Based on ISO 1114:1977 Cocoa beans - Cut test; (https://www.iso.org/standard/5637.html)

43 Based on ISO 2291:1980 Cocoa beans - Determination of moisture content (Routine method) (https://www.iso.org/standard/7114.html)

44 Based on ISO 2291:2017 for bean sampling https://www.iso.org/standard/68203.html

A select few buying countries have national standards in place, e.g., Malaysian Standard MS 293:2005 – Specification for grading of Malaysian Cocoa Beans (4th Revision) available here.

In addition to the Uganda Standards (US) listed above, the practice of trading physical stocks of bulk cocoa is based on standardised practices set out by international trade associations such as the Federation of Cocoa Commerce London (FCC) and the Cocoa Merchants' Association of America, Inc. (CMAA) (see information section below for details). For example, the FCC provides two cocoa grades namely, **good fermented** cocoa beans and **fair fermented** cocoa beans. Samples of good fermented cocoa beans should have less than 5% mould, less than 5% slate and less than 1.5% foreign matter, while fair fermented cocoa beans must have less than 10% mould, less than 10% slate and less than 1.5% foreign matter. The cut test involves counting off a given number or weight of cocoa beans, cutting them lengthwise through the middle, and then examining them. Separate counts are made of the number of beans that are mouldy, slaty, insect damaged, germinated or flat. Bean size standards, per ISO 2451, are defined by bean count and are expressed as the number of beans per 100g (large beans: bean count of less or equal to 100; medium beans: bean count of 101 to 120; and small beans: bean count greater than 120).

Box 4: Cocoa Standards & grades

Grade specification: Fair fermented, good fermented

Defects:

M**ould:** 5% - 10%, Slate: < 5%-10%,

Foreign matter: < 1.5%,

Bean count (total no of cocoa beans/100g):

Broken bean: part missing equivalent to < ½ bean

Double beans: fused together, can't be separated by hand etc.,

Box 5: Technical requirements for cocoa

Organoleptic characteristics: fermented, cut test, mouldy grains, etc

Physical/Chemical characteristics: (humidity, fat, PH, aflatoxins, Ochratoxins)

Pesticide concentrations (mg/kg max):

Contaminants (mg/kg max): (copper, arsenic, lead, iron)

Microbiological specs: Salmonella sp, E. coli

Packaging and labelling: jute, plastic bags, weighing xx kg, max relative humidity, x%, free from rodents…

Conditions of carriage: (trucks, train etc)

Packaging and Labelling

Uganda's cocoa sector has not established any mandatory labelling standards; however, different markets publish labelling requirements. For example, the European Union labelling and packaging requirements (sample label shown in box 6 below) are described in Directive 2000/36/EC relating to cocoa and chocolate products intended for human consumption.

Box 6: Condition of Packaging (European Union)

Product name

Grade

Lot or batch code

Country of origin

Net weight in kilogrammes

In case of organic or fair trade certification: name/code of the inspection body and the certification number.

Box 7: Condition of Packaging (Malaysia)

a. Marking of bag should show

- Grade
- Name and Trademark of Exporter
- Lot Number
- Destination
- Produce of Uganda
- 62.5 kg nett

b. Stitching of bag

- Sewn twice
- Unbreakable 10 cm sting lop to the left
- Lose 10 cm string to the right

c. Bag condition

- New jute bag
- Hydrocarbon-free

Food Safety Standards: Hazard Analysis and Critical Control Points (HACCP)

The HACCP is a Codex-based food safety standard operated by food production and processing companies to ensure the safety of food via a system of controls designed to minimize or eliminate the risks of hazardous contaminants in the food production and distribution system. The Uganda National Bureau of Standards has established the HACCP-US 130:2017 which is harmonized with ISO 22000. This Uganda Standard specifies the requirements for operational Hazard Analysis Critical Control Point (HACCP) based on food safety systems which ensure the safety of foodstuffs during production, preparation, processing, manufacturing, packaging, storage, transportation, distribution and handling, or facilities offering food for sale and/or supply. The standard lays down the requirements for food business companies, processes, and their resultant products to be HACCP certified. The UNBS lists the requirements (20 in total) for acquiring HACCP on their website,[45] together with a detailed self-assessment checklist.[46] The timelines for establishment of a HACCP food safety system depend on the service provider, and the company's financial and human resource capacity to invest in the system. Establishing a HACCP system can take anywhere between a month to 6 months. The cost also depends on the service provider, however, establishing the system can range from anywhere between US$ 3,000 to US$ 10,000. A few accredited ISO 22000 auditors exist in Uganda (see list here)[47]

Sources of Information on Standards

EAC Quality Compass tool

EAC Quality Compass tool has been developed by the International Trade Centre under the Market Access Upgrade Programme (MARKUP) with the support of the European Union. The Quality Compass offers users quality-related guidance for specific products in select markets. Discover and learn about quality requirements for your product, whether they are related to mandatory legal requirements, key standards, or preferences in the market.

Website: The EAC Quality Compass tool is available at https://un-consulting.ch/eac

The Federation of Cocoa Commerce (FCC)

The Federation of Cocoa Commerce (FCC) is an international membership-based organization whose mission is to provide a comprehensive contractual and operational framework within which the interests of the cocoa trade and industry sectors are fairly represented. The FCC aims at delivering sustainable benefits to her members that they may conduct the cocoa trade following the highest standards and best practices, assisting and encouraging cocoa growers to achieve and maintain the required quality standard and assisting their members in delivering high quality products to their customers.

Website: https://www.cocoafederation.com

The Cocoa Merchants Association of America (CMAA)

The Cocoa Merchants Association of America is an American membership-based organization, that owns and operates the New York Cocoa Exchange. CMAA has designed industry standard cocoa contracts, supply chain management practices, arbitration standards, and has published guidelines for shipping and transport for the international cocoa trade.

Website: http://www.cocoamerchants.com

45 UNBS website. https://www.unbs.go.ug/attachments/menus/12/CERT-SC-F%2003%20APPLICATION%20FORM%20FOR%20SYSTEMS%20CERTIFICATION%20-%20ANNEX%20HACCP.pdf

46 UNBS Website https://www.unbs.go.ug/attachments/menus/12/CERT-SC-F%2001-B%20Self%20Assessment%20Checklist%20HACCP.pdf

47 BureauVeritas,

Standards and Certification Auditors, Agencies

A) Uganda National Bureau of Standards (UNBS)

The Uganda National Bureau of Standards (UNBS) is a statutory body under the Uganda Ministry of Trade, Industry and Co-operatives established by the UNBS Act Cap 327 and became operational in 1989. It is governed by the National Standards Council and headed by the Executive Director who is responsible for the day-to-day operation of UNBS.

The Mandate of UNBS is:

- Formulation and promotion of the use of standards
- Enforcing standards in protection of public health and safety and the environment against dangerous and sub-standard products
- Ensuring fairness in trade and precision in industry through reliable measurement systems; and
- Strengthening the economy of Uganda by assuring the quality of locally manufactured products to enhance the competitiveness of exports in regional and international markets

The UNBS publishes standards and standards-revisions which are publicly accessible but for a small fee.

Website: https://www.unbs.go.ug

Certification, Audit, and Training Services

B) Bureau Veritas

Bureau Veritas are a global standards services conglomerate with subsidiaries set up in Uganda and other East African partner states. Bureau Veritas offer a complete range of testing, inspection, and certification (TIC) services to ensure safety and quality of food from farm to fork. Regarding food production, the company offers services such a quality and quantity inspection, soil and seed testing, pesticide analysis and certification of responsible practice.

Website: https://group.bureauveritas.com

Rules of Origin (RoO) for preferential markets

Rules of origin are the "passport" or "proof of the economic nationality" of traded goods globally. They consist of the criteria for determining the national source of a product and therefore whether they are dutiable or not, or which duties apply to the products. In the WTO trading system, rules of origin are important for determining whether an imported product shall receive most-favoured-nation (MFN) treatment or preferential treatment. Ugandan cocoa which is a "natural product" because the crop is "wholly grown and harvested" in Uganda, enjoys preferential rules of origin for several key global markets.

Uganda is a signatory and therefore beneficiary of preferential treatment offered through several trade agreements. The Everything-But-Arms (EBA) agreement gives Uganda and other countries tariff-free-quota-free access to the EU market at very generous rules of origin-terms. The interim EAC-EU Economic Partnership Agreement, which isn't yet in force, promises duty-free quota-free access to the EU market for all EAC exports with improved rules of origin. Uganda also enjoys GSP preferences for selected key markets for cocoa, including but not limited to the United States of America, Australia, Belarus, Canada, the EU, Japan, New Zealand, Norway, the Russian Federation, Switzerland, and Turkey. Uganda also enjoys non-reciprocal preferential access to the United States under the AGOA trade agreement.

Cocoa exporters can ship cocoa to the EU under the GSP preferential regime or the EBA regime. Proof that the product was produced or obtained in the preferential trade partner, Uganda in this case, is provided by a certificate of origin (COO). Providing the correct certificate of origin saves your buyer money on duties, thereby improving both your cost competitiveness. The proper COO also helps protect you import, in case of customs audits or duty reassessments. The following certificates of origin are applicable for different export markets.

- GSP Certificate of origin for EU, USA, Japan
- EU certificate of origin for the EU
- EAC certificate for EAC partner states
- AGOA certificate of origin for the USA

The following sources of information provide up-to-date information on rules of origin for cocoa.

1. ITC rules of origin tool https://findrulesoforigin.org/
2. EU Helpdesk http://www.exporthelp.europa.eu

Insight into Voluntary Sustainability Standards

Cocoa is grown, often by converting forest land into cultivable land, raising environmental and sustainability concerns. Voluntary sustainability standards (VSS) emerged on the cocoa scene about two and a half decades ago. The IISD, which has been tracking VSS compliant cocoa over the years, shows a growth in volumes of VSS-compliance cocoa trade globally. In 2016, at least 29% of the total global cocoa production was VSS-compliant.[48] The most common VSS standards in the sector include Organic, Fairtrade, Rainforest Alliance, and UTZ. Uganda's cocoa is mostly conventional cocoa (uncertified) as is shown in the following sections. For few support programs to assist farmers in acquiring VSS- certification, see chapter 5: support for exporters.

Table 3, World: VSS-Compliant Cocoa Production (MT) 2016

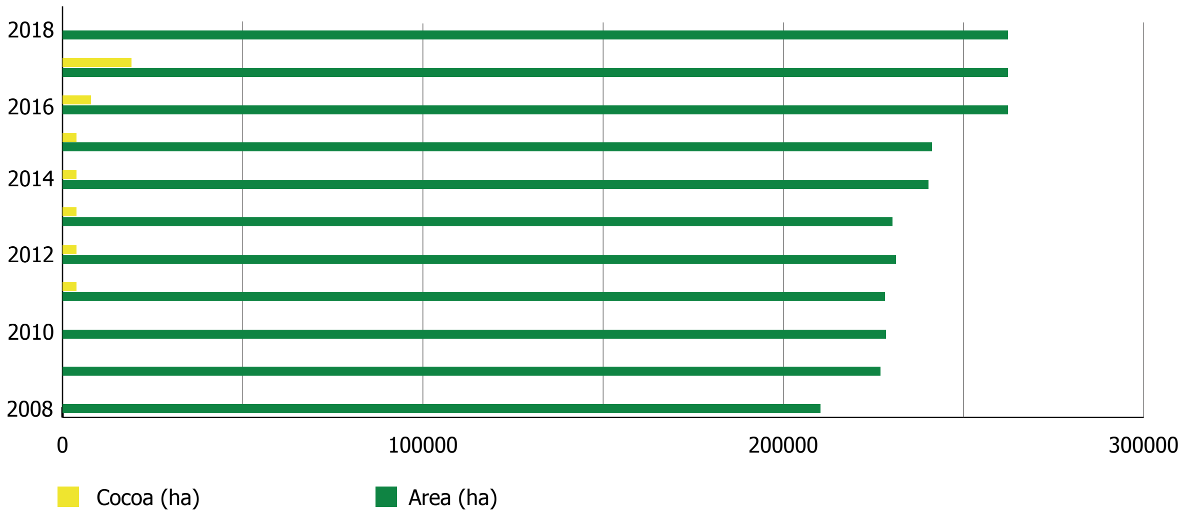
Certification Scheme	Tonnage (MT)
UTZ Certified	1,188,166
Rainforest Alliance	473,480
Fairtrade International	291,917
Organic	157,275

48 VSS-compliant means cocoa produced in compliance with at least one or more VSSs. Source: IISD Retrieved from https://www.iisd.org/sites/default/files/publications/ssi-global-market-report-cocoa.pdf

Organic Certification

Organic certification is a voluntary sustainable standard that provides a competitive edge in the market. Trends in the marketplace have, over the years, shown a growing environmentally and health-conscious consumer base in Europe and the United States. Organic certified cocoa is defined as that grown without any use of synthetic nutrients, and with prescribed methods and practices for plant protection and soil conservation. In Uganda, a lot of cocoa is grown organically but uncertified. Cocoa growers and exporters are encouraged to consider organic certification as a means of gaining a competitive edge in the cocoa export market. However, the share of organic land to total cultivable farmland in Uganda has averaged 1.6%.[49] As already observed, there are 21,000 ha of cultivated cocoa against a suitable area of up to 83,600 ha.[50] It is estimated that approximately 19,091 ha were organic farmland (i.e., 25%) (see figure 12 below). Expanding organic planted acreage for cocoa, therefore, has its limits, but remains a feasible option. Uganda is amongst the top 3 countries globally,[51] in terms of organic producers, estimated at 210,352 in 2018.[52] However, the organic-growing cultivable base is dwindling on account of the increased application of synthetic fertilizer.[53] Farmers increasingly need extension support to encourage and promote the judicious use, handling and application of fertilizer. Also, the relatively high costs of acquiring organic certification can be prohibitive.

Figure 12, Uganda: Total Organic Area Farmland (hectares)



Source FIBL Statistics

49 FiBL Data https://www.fibl.org/fileadmin/documents/shop/5011-organic-world-2020.pdf

50 No statistics estimate how much of this is organic 'uncertified' land, approximately 19,091 ha is categorized organic.

51 India is ranked first (1,149,371), Ethiopia is ranked 3rd (210,352) (FiBL & IFOAM – Organic World Report 2020) available here https://shop.fibl.org/chde/mwdownloads/download/link/id/1294/

52 FiBL & IFOAM – Organic World Report 2020) available here https://www.fibl.org/fileadmin/documents/shop/5011-organic-world-2020.pdf

53 Uganda loses approximately 80 kg of nutrient per hectare per year through topsoil erosion and nutrient export through harvested crop biomass. MAAIF, (2016) Uganda National Fertilizer Policy. Ministry of Agriculture

Fairtrade Certification

Fairtrade is amongst the oldest existing VSS schemes globally. Fairtrade is all about ensuring sustainable and equitable international trade relationships for producers, particularly disadvantaged small farmers in least developed and developing countries. The "Fairtrade premium"[54] price is guaranteed by Fairtrade buyers, primarily to improve the socio-economic conditions of the farmer. Uganda doesn't feature amongst the most prominent Fairtrade cocoa-producing countries globally, however, Flocert (an independent certifier) lists only 3 producer organizations (PO) of Fairtrade cocoa in Uganda.

Cocoa growers are encouraged to consider Fairtrade cocoa as a viable option. However, in light of the growth of the global share of VSS-compliant cocoa, it could be argued that the edge provided by "Fairtrade premiums" may gradually be eroded. The cocoa exporter, therefore, has to continuously evaluate other VSS options that best match their profit motives as well as the legitimate socioeconomic goals of the cocoa growing community (farmers).

Box 8: Key Objectives of the Fairtrade Standards

1. ensure that producers receive prices that cover their average costs of sustainable production
2. provide an additional Fairtrade Premium which can be invested in projects that enhance social, economic and environmental development
3. enable pre-financing for producers who require it
4. facilitate long-term trading partnerships and enable greater producer control over the trading process
5. set clear core and development criteria to ensure that the conditions of production and trade of all Fairtrade certified products are both socially and economically fair as well as environmentally responsible

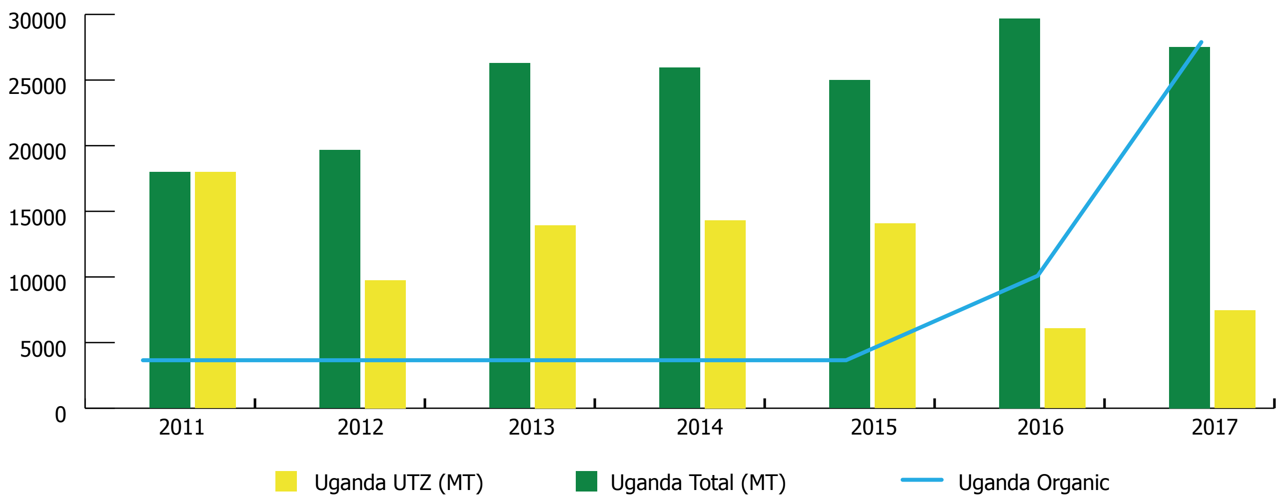
Source: https://www.fairtrade.net/standard/aims

UTZ - Rainforest Alliance

The UTZ certification program is part of the Rain Forest Alliance (an international non-profit organization working to create a better future for people and nature). According to UTZ, the share of UTZ-certified cocoa exports has generally declined over the years, reaching ~ 27% in 2017, from ~ 50% in 2014 (Fig 13). The certification emphasizes improvement of farmer livelihoods through growing better crops and improving access to buyers.

54 Extra paid on top of the selling price. Source https://www.fairtrade.net/about/how-fairtrade-works

Figure 13, Uganda: Output and planted Acreage of UTZ Certified & Organic Certified Cocoa



Source UTZ

The farmers also receive a variable premium negotiated with the buyer. Even if no condition is dictated as to how premiums get used, paid premiums usually end up paying for group management costs, training for farmers and in-kind cash payments to certified farmers and farmer groups. Only two companies (Agri Exim Limited and ESCO Uganda Limited) out of the 8 registered cocoa producing companies are UTZ certified.[55] In Uganda, there are 8 RA approved certification bodies for the UTZ programs. For a full list, visit the UTZ website.

Sustainability Certification

The International Standard for Sustainable and Traceable Cocoa ISO 34101, which was developed by ISO, jointly with the European Committee for Standardization CEN, is the most recently developed standard for cocoa. The standard covers the organizational, economic, social and environmental aspects of cocoa production. In the coming years, this may become the sustainability certification of choice by several markets in Europe and beyond.

Sources of Information:

Information Source(s)		Website Address
International Institute for Sustainable Development (IISD)	Independent think tank addressing global sustainability challenges. Provide, news, research and analysis on the global cocoa sector.	https://www.iisd.org
International trade Centre	ITC provides news, market analysis, and information across sectors, including cocoa. ITCs sustainability map is an excellent tool for mining information and data on voluntary sustainability standards, climate smart agriculture, and circular production.	https://www.sustainabilitymap.org
Flocert	■ Fairtrade certification ■ Edge Certification ■ Social audits	https://www.flocert.net
Ecocert	■ Fairtrade ■ Organic ■ Quality and food safety (HACCP, IFS-International Featured Standards, British Retail Consortium)	https://www.ecocert.com
UTZ-Rainforest Alliance	A list of certification bodies can be found on the UTZ website.	https://utz.org
Fairtrade	Fair trade standards, list of auditing and certification bodies	https://fairtrade.net

55 This list is subject to change https://utz.org/?attachment_id=12594

EU Market Preferences

The EU will remain an important global market for cocoa for the foreseeable future. For this reason, we briefly delve into the market and consumer trends and preferences for cocoa beans and various chocolate products.

a) The European chocolate consumer is increasingly demanding high-quality chocolate and is interested in the origin of cocoa.

Single origin chocolate made from cocoa beans sourced from a "single origin" or region is increasingly preferred over conventional products. The industry in the EU traditionally produces conventional products with cocoa beans or cocoa mass of 'mixed origins. 'Single origin' cocoa beans can deliver distinct flavours which reflect a unique combination of botanical species and the terroir. Trend in the EU reflect a growing preference by manufacturers to combine sustainable and ethical cocoa with single origin cocoa to deliver a unique selling proposition.[56]

For the Uganda cocoa exporter, these trends suggest the need to know better the genetics of the cocoa trees according to their respective geographical location within Uganda. Working closely with Uganda's agricultural research organisations like the Kawanda Agricultural Research Institute (KARI) or the National Coffee Research Institute (NACRI) or international organisations like CIAT to carry out cocoa germplasm mapping and biodiversity, can help achieve this goal.

b) Voluntary Sustainability Standards in the EU matter a great deal

First, corporate social responsibility (CSR) is a good selling point. CSR standards like the Sedex Members Ethical Trade Audit (SMETA) and the Business Social Compliance Initiative (BSCI) are commonly expected CSR standards by EU buyers. A diversity of other CSR requirements is suggested by major industry buyers like Nestle, Mars and Cargill. Several EU buyers have stated minimum sustainability requirements to ensure that workers' rights (child labour) as well as a safe and healthy working environment are ever present during the entire cocoa production process. The applicable Voluntary Sustainability Standards (VSS) are detailed in the "insight into VSS" section of this guide.

c) EU Food Safety Regulations will likely continue to strengthen

The EU market imposes strict food safety guidelines and requirements (SPS) for imports into the territory of Europe. Cocoa imports must comply with the European Union (EU) regulation on maximum residue limits on pesticides – EC No. 149/2008. Also, the EU has sharply upped the ante for maximum and minimum level requirements of contaminants like cadmium whose maximum levels are detailed in EU law 488/2014. However, these limits only apply to finished chocolate products, given that cadmium levels in chocolate are much lower than in raw cocoa beans. The EU is also weary of foreign matter contaminants in the form of mineral oil residues that usually get introduced into the food chain by recycled paper or treated jute bags. However, no specific EU law currently exists to regulate these specific contaminants. Lastly, labelling must comply with the requirement set out in the EU Directive 2000/36/EC. A sample of the label for cocoa exports to the EU is in box 6 of the guide.

The trends regarding food safety in the EU show maximum residue limits (MRLs) getting increasingly stricter, with falling chemical residue thresholds and the phasing out of chemicals. Therefore, growers and exporters in Uganda should stay abreast of the evolving regulations in the EU regarding SPS and TBT. The EU typically notifies the WTO of new measures/regulations 60 days before implementation, giving stakeholders in origin countries time to adapt or make a request to extend the transition period. SPS notifications can be viewed here[57] while TBT notifications can be viewed here.[58]

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56 Retrieved from https://www.foodnavigator.com/Article/2019/04/10/Growing-single-origin-trend-to-transform-Colombia-through-chocolate

57 http://spsims.wto.org

58 http://tbtims.wto.org

Where to Find Additional / Updated Information

For a regular update of more detailed market and consumer trends in the EU, the reader is encouraged to visit the following CBI websites:

- Cocoa Market Trends: https://www.cbi.eu/market-information/cocoa/trends
- Trends in Speciality Cocoa in the EU: https://www.cbi.eu/market-information/cocoa/trade-statistics
- Market Access and Entry requirements: https://www.cbi.eu/market-information/cocoa-cocoa-products/specialty-cocoa/market-entry
- More detailed market access requirements for the EU market are regularly published by the Centre for Promotion of Imports from Developing countries (CBI)
- Documentary requirements: There are no special licence requirements for exporters. However, cocoa exporters to the EU are required to register with European customs in the following web address. https://conformance.customs.ec.europa.eu/rex-pa-ui/index.html#/create-preapplication/
- The export procedures laid out in the Uganda trade portal as well as the procedures described in chapter 3 of the guide, are applicable for the EU. Specifically, the GSP certificate of origin (COO) must be appended to the consignment if the importer wants to benefit from preferential treatment. Samples of these certificates are available on the EU helpdesk website and also on the Uganda trade portal.

Intra-EAC Cocoa import requirements

- Intra-EAC requirements for cocoa are published on some of the trade portals of EAC partner states. A cocoa exporter requires an EAC certificate of origin, a plant import permit and SPS certificate, all of which can be applied for and accessed on the web portal here https://ugandatrades.go.ug/procedure/12?l=en
- Plant import permits can be applied for via the several web portals of EAC partner states (see EAC trade portal here https://tradehelpdesk.eac.int)

Chapter 3: Step-by-Step Cocoa Export Procedures in Uganda

Overview and Objectives of Chapter 3:

This Chapter presents the business processes and regulatory activities required to export cocoa from Uganda for a first time exporter – from registering as an exporter, going through the various state entities to obtain various certifications and approvals, to releasing the cocoa at the port for shipment.

Several important points to note in reading this chapter:

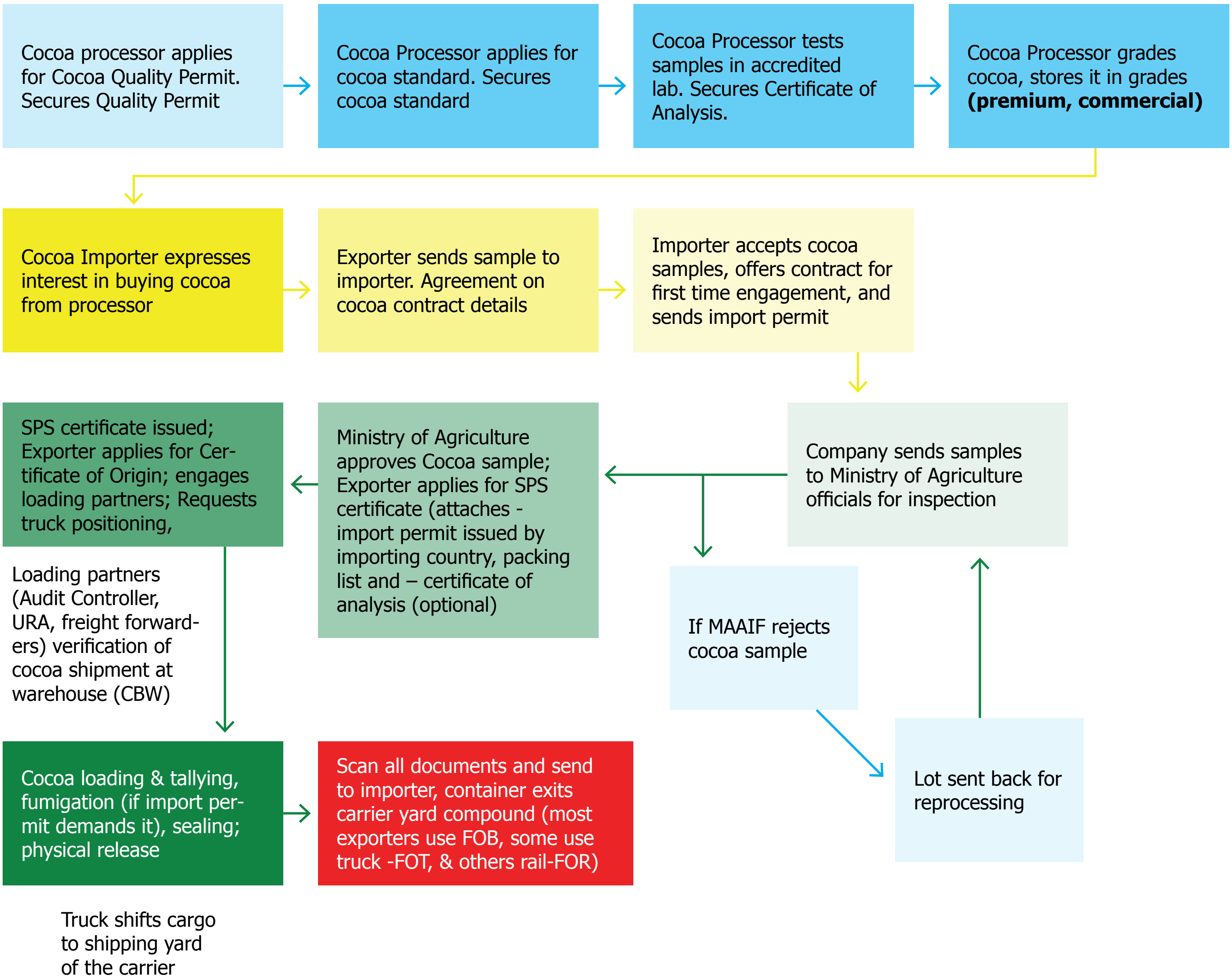
- As part of implementing the WTO Trade Facilitation Agreement (WTO-TFA), these measures have been mapped and documented as part of the EAC Regional Information Trade Portal, which brings together National Trade Portals. The information in the chapter is drawn from the Uganda Trade Portal (https://ugandatrades.go.ug)
- As part of implementing the WTO TFA, which calls for simplifications of trade procedures, as well as other measures meant to regulate the sector, these procedures may change from time to time. It is therefore important that exporters regularly check the Uganda Trade Portal to ensure they are well acquainted with the procedures at the time of exporting.
- The chapter currently maps procedures as at 10th July 2020. It presents ALL the procedures a first-time exporter would go through, meaning that for SMEs that are already established, some of the steps may not be necessary.

The **key objectives** of this Chapter are:

- To provide the Ugandan cocoa SME with both a summary and an elaboration of the whole cocoa export process in Uganda; from the document requirements, involved institutions, the costs and the time to meet all the requirements.
- To provide Ugandan TSIs with an understanding of the overall regulatory burden for cocoa exporters
- To point the Uganda cocoa SMEs and TSIs to sources of credible information on the cocoa exporting process in Uganda

Cocoa Export Procedures in Uganda[59]

Several procedures are followed to export cocoa. In all, eleven procedures for the first-time processor and exporter are mapped out in the following diagram below (fig 14). For structural reasons, the processor and exporter in Uganda are usually the same.



59 https://ugandatrades.go.ug/procedure/315?l=en&includeSearch=true

First, the Cocoa is processed to meet export requirements. In Uganda, the beans are mostly processed on farms in the production zone, or in a processing facility at the exporter's business location. It is important to acquire a quality mark from the Uganda National Bureau of Standards (UNBS), a process which takes 14 steps for a first-time processor (see 'step-by-step procedures' below). A sample of cocoa beans is selected for testing in an accredited laboratory. In Uganda there aren't many accredited laboratories, so the top exporting firms have established laboratories on their premises. However, the Uganda National Bureau of Standard (UNBS) has an accredited lab, able to test cocoa for minimum residue levels, mould and fermentation, and pigmentation (see section on quality standards). It is these qualities that equip the exporter with the right specifications to grade the cocoa (generally two grades are applicable, premium and commercial).

The exporter, now equipped with the right grades and quantities in each grade, then shops for an importer to purchase his cocoa. In most cases, the exporter will have graded the cocoa based on the requirements and specifications set by the importer (see section on case study into the EU). For a new exporter, a notification of intent to purchase the cocoa is received from the importer. The exporter then sends cocoa samples to the importer. Usually, these samples are shipped by air courier to avoid time delays. The sample is clearly marked with the importer's names and address. The courier company requires the proper documentation to be attached with the samples (certificate of origin and SPS certificate). However, given that sample sizes are usually under the de minimis value, no taxes are applicable at the destination.

For the first-time exporter, after the importer receives the sample, they can now issue a contract. The exporter needs to negotiate the contract terms with the importer, which may take days of back-and-forth communication (by email, telephone). After the contract terms are agreed, a copy of the final contract together with a plant import permit issued by the relevant authority in the importing country can be electronically endorsed by the exporter and shared with the importer.

The exporting firm then sends samples of the cocoa to the Ministry of Agriculture (MAAIF) for inspection. He/she must have attached a copy of an import permit, which the official at the Ministry will use to ascertain that the sample grade matches with that specified in the import permit. After the sample passes the inspection, the Ministry of Agriculture approves the Cocoa sample, and the Exporter applies for the SPS certificate. This can be done physically at the Ministry (after inspection fees are paid) or online through the e-single window portal. The exporter thereafter submits a copy of the plant import permit issued by the buyer and a copy of the cocoa contract to MAAIF and is issued an SPS certificate.

The Exporter then engages loading partners and requests truck positioning at his premises for verification. The loading partners who include the Audit Controller, the customs officer (URA), and the freight forwarder, conduct a verification exercise of the cocoa shipment at the warehouse (Customs Bonded Warehouse). After the verification exercise is completed, the Cocoa is loaded & tallied, fumigated and sealed. Physical release happens thereafter. In instances where the cocoa is to be transported by truck, a truck moves the cargo to shipping yard of the carrier. The exporter can then scan all the export documents and mail them to the importer. The container exits the carriers yard compound (railway yard for railway transport) and is loaded on the appropriate carrier's mode of transport (FOB). Some shippers use other incoterms, truck (FOT), and rail (FOR).

Step by step process for cocoa exports from Uganda through the Port of Mombasa

The following procedures are available on the Uganda Trade Portal and are up to date as of 1st July 2021. However, note that the procedures and processes are subject to periodic simplification, update, or changes by the relevant trade facilitation institutions.

Procedure 1: Obtain User Access on the e-Single Window Portal

What are the steps involved	There is **one step required to obtain access to the e-Single Window**, as follows: 1. Obtain credentials from e-Single Window Single Transactions portal
Which Institutions do you go to	■ e-Single Window https://www.singlewindow.go.ug/
Which documents are needed	■ Exporters Tax Identification Number (TIN)
What is the legal basis for these requirements	■ Uganda Revenue Authority Act ■ EAC Customs Management Regulations 2010 (Sections 188, 189)
Fees	None (free of charge)
Processing time for full task	5 minutes to 10 minutes
Contact info	Manager custom systems and procedures Tel: +256 417 442 072 +256 417 442 172 Email: smubiru@ura.go.ug
What document do you receive	e-Single Window Online Credentials
Additional information	■ The credentials are required for the exporter to use the e-Single Window to obtain certificates of origin online.

Procedure 2: Register as an Exporter on the e-Single Window Portal

What are the steps involved	There are t**wo steps required to register as an Exporters on the e-Single Window**, as follows: 2. Apply for exporter registration 3. Obtain exporter membership registration certificate
Which Institutions do you go to	■ e-Single Window https://www.singlewindow.go.ug/
Which documents are needed	■ Exporters Tax Identification Number (TIN) ■ e-Single Window credentials
What is the legal basis for these requirements	■ Uganda Export Promotion Board Act
Fees	None (free of charge)
Processing time for full task	5 minutes to 10 minutes
Contact info	Supervisor, International Affairs Tel: +256 717 442 145 +256 417 443 112 Email: arubanga@ura.go.ug alexrubanga@yahoo.co.uk
What document do you receive	Membership Registration Certificate
Additional information	

Procedure 3: Obtain Phytosanitary Certificate

What are the steps involved	There are **4 steps required to obtain the Phytosanitary Certificate**, as follows: 4. Apply Online (at http://crop.agriculture.go.ug/index.php) 5. Get consignment inspected 6. Obtain URA Payment registration and pay for Phytosanitary certificate 7. Obtain Phytosanitary certificate
Which Institutions do you go to	Ministry of Agriculture, Animal Industry and Fisheries (MAAIF)
Which documents are needed	Import Permit (copy) ■ Packing List (copy) ■ Address of Buyer ■ The consignment ■ URA registration form and Exporters TIN
What is the legal basis for these requirements	■ Plant Protection and Health Act, 2015. (Section 22)
Fees	Fees for the SPS ■ UGX 5000 Note: Payment methods: (through URA portal: mobile money, visa, bank transfer)
Processing time for full task	½ day - 1 day
Contact info	Department of Crop Inspection and Certification Plot 14-18 Lugard Avenue Tel: +256 414 531 411 +256 414 567 368 Email: cepmaaif@gmail.com Website: http://www.agriculture.go.ug
What document do you receive	Sanitary and Phytosanitary Certificate (SPS)
Additional information	The SPS certificate is valid only per consignment

Procedure 4: Obtain GSP Certificate of Origin

What are the steps involved	There are **2 steps required to obtain a Certificate of Origin**, as follows: 8. Apply for Certificate of Origin online (http://singlewindow.go.ug/uesw/Login) 9. Obtain certificate of origin
Which Institutions do you go to	■ E-Single window portal or Uganda Revenue Authority
Which documents are needed	■ ASYCUDA World User Registration Application (copy) ■ Commercial Invoice ■ Packing List
What is the legal basis for these requirements	■ EU EBA List of Beneficiaries ■ GSP List of beneficiaries ■ New Zealand GSP Scheme ■ The EU GSP Rules of Origin Legal Text (Article 74)
Fees	None (free of charge)
Processing time for full task	Min. ½ days - Max. 1 days
Contact info	Uganda Revenue Authority Tower Nakawa industrial area plot M193/M194 Tel: +256 417 443 034 +256 417 443 090 Email: services@ura.go.ug Website: https://www.ura.go.ug
What document do you receive	Certificate of Origin
Additional information	Each separate consignment requires its own certificate of origin. Export of cocoa to other destinations may or will require different certificates of origin. E.g., COMESA, EAC.

Procedure 5: Obtain Certificate of Fumigation

What are the steps involved	There are **4 steps required to obtain the Certificate of Fumigation,** as follows: 10. Apply for fumigation certificate 11. Pay for fumigation 12. Fumigation 13. Obtain Certificate of Fumigation
Which Institutions do you go to	■ Fumigation firm ■ Commercial Bank
Which documents are needed	■ Application for fumigation analysis (step 10). The application letter should show the parameters for fumigation and analysis clearly ■ Quotation (step 11) ■ Parameters and consignment (Step 12)
What is the legal basis for these requirements	■ Plant Protection and Health Act (2015) Section 22.
Fees	Fees for the Fumigation (depend on contracted firm) ■ USD 150 per day (warehouse fees) Note: Payment methods: cash (to the issuer), cheque
Processing time for full task	½ day - 1 day
Contact info	Manager, Fumigation company
What document do you receive	Certificate of Fumigation
Additional information	The Certificate of Fumigation is valid only per consignment

Procedure 6: Contract a Clearing Agent

What are the steps involved	There is **1 step required to contract a clearing agent,** as follows: 14. Contract a Clearing Agent (can be done online)
Which Institutions do you go to	■ URA (https://singlewindow.go.ug)
Which documents are needed	■ Clearing Agent's Tax Identification Number (TIN) and that of the Cocoa Exporter
What is the legal basis for these requirements	■ EAC Customs Management Act 2004 (Sections 147, 148)
Fees	Fees for the Fumigation (depend on contracted firm) ■ UGX 177,935.3 (US$ 50) estimated clearing fees per container (fees charged depend on the value of the consignment and negotiations between exporter and the clearing agent) Note: Payment methods: cash, credit card, cheque
Processing time for full task	5 mins
Contact info	Assistant Commissioner Trade Tel: +256 772 140 008 +256 417 443 106 Email: jkisaale@ura.go.ug
What document do you receive	Clearing Agent Notice of Acceptance
Additional information	

Procedure 7: Obtain Clearance for Crop Products

What are the steps involved	There are **3 steps required to obtain clearance for crop products**, as follows: 15. Make a Customs Entry (online) 16. Joint Consignment Inspection 17. Obtain Release Orde
Which Institutions do you go to	URA (https://singlewindow.go.ug)
Which documents are needed	■ Invoice for consignment (copy) ■ Certificate of Origin (copy) ■ Packing List (copy) ■ Phytosanitary Certificate (original) ■ Certificate of Analysis (copy) ■ Certificate of Fumigation (original) ■ URA e-Tax Receipt (original) for Step 17
What is the legal basis for these requirements	EAC Customs Management Act 2004 (Section 73 - 75) ■ EAC Customs Management Regulations, 2010 (Sections 88 - 89) ■ EAC Customs Management Act 2004 (Section 15(3)) ■ EAC Customs Management Act 2004 (Section 89) ■ EAC Customs Management Regulations, 2010 (Sections 39 - 49)
Fees	None (free of charge)
Processing time for full task	½ day to 1 day
Contact info	Uganda Revenue Authority Nakawa industrial area plot M193/M194 Tel: +256 417 443 034 +256 417 443 090 Email: services@ura.go.ug Website: https://www.ura.go.ug
What document do you receive	Release Order
Additional information	Depending on the risk profile of the exporter or the commodity, this inspection may or may not be carried out. The joint inspection is carried out by officials from the agencies tagged in the consignment, for example, Ministry of Agriculture Animal Industry and Fisheries, Uganda Revenue Authority and where necessary, an official from Kenya Revenue Authority.

Procedure 8: Physical Release at Border point

What are the steps involved	There is **1 step required for the release of the consignment** as follows: 18. Obtain release order
Which Institutions do you go to	Uganda Revenue Authority
Which documents are needed	■ Release order (original copy)
What is the legal basis for these requirements	East African Community Customs Management Act (2004) Sections 73 - 75
Fees	None (free of charge)
Processing time for full task	Max 10 mins
Contact info	Uganda Revenue Authority Tower Nakawa industrial area plot M193/M194 Tel: +256 417 443 034 +256 417 443 090 Email: services@ura.go.ug Website: https://www.ura.go.ug
What document do you receive	■ Rotation number ■ Physical flagoff
Additional information	The clearing agent will identify an appropriate shipping line depending on the point of destination and proceed to book space with the shipping agent.

Where to Find Additional / Updated Information

- Information regarding export procedures for cocoa are available on the Uganda trade portal here https://ugandatrade.go.ug/
- Information regarding procedures for exports of cocoa and other products within the EAC market can be found at the EAC trade helpdesk portal - https://tradehelpdesk.eac.int

Chapter 4: Cocoa Import Procedures into the EU

Overview and Objectives of Chapter 4:

This chapter discusses some of the import procedures in the European Union. While the importer in the EU member country is ultimately responsible for ensuring that the importing requirements have been met, in this Chapter we shall discuss some of the key procedures and requirements where the exporter has a role to play.

Several important points to note in reading this chapter:

- The Chapter assumes that the importing company is already registered in the given EU Member country and has the Economic Operator Registration and Identification (EORI) number that is required by the Customs Authority in the EU to, among others, lodge a customs declaration and make an entry summary declaration (ENS) and an exit summary declaration (EXS)
- The information in the chapter is mainly drawn from the EU Help Desk https://trade.ec.europa.eu/tradehelp/myexport#?product=0901000000&partner=KE&reporter=DE
- The chapter contains information that is valid as at 20 August 2020. Procedures and requirements however change. As a rule of thumb, the exporting SME should always check with the importer the current requirements before any shipment is done.

The **key objectives** of this Chapter are:

- To provide the Ugandan cocoa SME with a consolidated and simplified reference to the mandatory requirements for exporting cocoa to the EU;
- To provide the Ugandan cocoa SME with an overview of EU cocoa market preferences and trends that the SME may tap into;
- To provide Uganda's TSIs with a reference point for the requirement SMEs must fulfill in order to tap into the EU Market; and,
- To point the Ugandan cocoa SME and TSIs to sources of credible information on requirements and market preferences for cocoa exported to the EU.

Summary of Procedures for Cocoa Imports into the EU from Uganda:

The figure below depicts the procedures for importing goods into the EU.

Below we elaborate the steps further:

Step 1: Entry Summary Declaration (ENS)

The ENS is lodged by the carrier of goods entering the customs territory of the EU, in advance of the goods arriving in the EU. For container marine cargo, the ENS should be launched 24 hours before commencement of loading in the foreign load port, while for bulk marine cargo, at least 4 hours before arrival. The ENS can also be lodged by the importer -consignee or a representative of the carrier or importer.

Part of the information that the carrier must include in the ENS **comes from documents originated by the exporter: bill of lading and commercial invoices, so it is crucial that these reach the party responsible for the lodging of the ENS in a timely and accurate manner.** As earlier noted, the **statement of origin must be indicated on the commercial invoice,** as well as the delivery note, a packing list, or any other commercial document allowing to identify the goods and the exporter.

The ENS declaration falls within the scope of the Import Control System (ICS) which become fully operational on 1 January 2011, as part of the Security Amendment laid down by Regulation (EC) No 648/2005 of the European Parliament and of the Council.

Step 2: Customs declaration - SAD (Single Administrative Document)

The placing of the goods under any customs approved treatment or use is done using the Single Administrative Document (SAD), which is a common form for all the EU Member States according to the Union Customs Code and the Transitional Delegated Act (Commission Regulation (EU) 2016/341) whereas a fully electronic customs environment is created.

The SAD can be presented to the customs authorities by the importer or his representative. The representation may be direct, where the representatives act in the name of, and on behalf of, another person; or indirect, where representatives act in their own name but on behalf of another person.

The SAD may be presented either by electronic means directly linked to the customs authorities (each Member State may have its own system); or by lodging it with the designated customs office premises. The declaration must be drawn up in one of the official languages of the EU, which is acceptable to the customs authorities of the Member State where the formalities are carried out.

The main information that shall be declared is:

- Identifying data of the parties involved in the operation (importer, exporter, representative, etc.)
- Custom approved treatment (release for free circulation, release for consumption, temporary importation, transit, etc.)
- Identifying data of the goods (Taric code, weight, units), location and packaging
- Information referred to the means of transport
- Data about country of origin, country of export and destination
- Commercial and financial information (Incoterms, invoice value, invoice currency, exchange rate, insurance etc.)
- List of documents associated to the SAD (Import licenses, inspection certificates, document of origin, transport document, commercial invoice etc.)
- Declaration and method of payment of import taxes (tariff duties, VAT, Excises, etc)

The SAD set consists of eight copies; the operator completes all or part of the sheets depending on the type of operation. In the case of importation generally three copies shall be used: one is to be retained by the authorities of the Member State in which arrival formalities are completed, other is used for statistical purposes by the Member State of destination and the last one is returned to the consignee after being stamped by the customs authority.

Documents associated to the SAD

For cocoa, the documents that need to be presented together with the SAD are include:

- Documentary proof of origin (Through the certificate of origin)
- Certificate confirming the special nature of the product
- Transport Document
- Commercial Invoice
- Customs Value Declaration
- Inspections Certificates (Health, Plant Health certificates)
- Import Licenses (if applicable)

Step 3: Goods are placed under temporary storage situation

Goods imported into the EU customs territory must be accompanied by a summary declaration, which is presented to the customs authorities of the place where they are to be unloaded. Goods are then placed under the temporary storage situation (not exceeding 90 days in any case), which means that they are stored under customs supervision until they are placed under any of the following customs procedures or re-exported,

Release for free circulation

Goods are 'released for free circulation' when the conditions relating to importation into the EU have been duly fulfilled (payment of tariff duties and other charges, as appropriate, application of non-tariff commercial policy measures and completion of the other formalities related the import of the goods). Release for free circulation confers on non-Union goods the customs status of 'Union goods'.

Once the mentioned duties as well as the value added tax (VAT) and any applicable excise duties have been paid, goods are 'released for consumption', as they have satisfied the conditions for consumption in the Member State of destination.

Special procedures

Goods may be placed under any of the following categories of special procedures:

- Transit, which comprises external and internal transit:
    - External transit: non-Union goods may be moved from one point to another within the customs territory of the Union without being subject to import duties, other charges related to the import of the goods (i.e., internal taxes) and commercial policy measures, thereby transferring customs clearance formalities to the customs office of destination.
    - Internal transit: Union goods may be moved from one point to another within the customs territory of the Union, passing through a country or territory outside that customs territory, without any change in their customs status.

- Storage, which comprises customs warehousing and free zones:
  - Customs warehousing: non-Union goods may be stored in premises or any other location authorised by the customs authorities and under customs supervision ('customs warehouses') without being subject to import duties, other charges related to the import of the goods and commercial policy measures.
  - Free zones: Member States may designate parts of the customs territory of the Union as free zones. They are special areas within the customs territory of the Union where goods can be introduced free of import duties, other charges (i.e., internal taxes) and commercial policy measures, until they are either assigned another approved customs procedure or re-exported. Goods may also undergo simple operations such as processing and re-packing.
- Specific use, which comprises temporary admission and end-use:
  - Temporary admission: non-Union goods intended for re-export may be subject to specific use in the customs territory of the Union, with total or partial relief from import duty, and without being subject to other charges like internal taxes and commercial policy measures. This procedure may only be used provided that the goods are not intended to undergo any change. The maximum period during which goods may remain under this procedure is 2 years.
  - End-use: goods may be released for free circulation under a duty exemption or at a reduced rate of duty on account of their specific use.
- Processing, which comprises inward and outward processing:
  - Inward processing: goods are imported into the Union in order to be used in the customs territory of the Union in one or more processing operations, without being subject to import duties, taxes and commercial policy measures. The customs authorities shall specify the period within which the inward processing procedure is to be discharged. Where finished products are not finally exported, these shall be subject to the appropriate duties and measures
  - Outward processing: Union goods may be temporarily exported from the customs territory of the Union in order to undergo processing operations. The processed products resulting from those goods may be released for free circulation with total or partial relief from import duties.

Step 4: Inspection of goods under Temporary Storage:

This is a control measure at the point of entry. In addition to undergoing inspections prior to export in the origin country, according to Regulation (EU) 2017/625, food imported into the European Union is subject to potential controls at points of entry. These are performed to ensure that all food introduced into the EU market is safe and complies with all regulations. There are different types of official controls:

- Documentary checks: These are geared towards verifying that all the required documents (Health Certificate, bill of lading, etc.) are present. In terms of frequency, this is always done, for all consignments.
- Identity controls: undertaken to verify that the content and labelling of the consignment tally with the documents presented. In terms of frequency, this is systematic for plant health and random for food safety (except in case of increased controls)
- Physical controls: undertaken to verify that the imported goods are meeting the applicable requirements of the EU food legislation and may include inspections of packaging or sampling the product for laboratory analysis. In terms of frequency, they are systematic for plant health and random for food safety (except in case of increased controls).

These controls may happen at EU borders or even once on the market, but most frequently occur at the point of entry. The laboratory analyses may target pesticide residues, heavy metals or other contaminants. If a shipment is refused for non-compliance with EU legislation, the responsible party of the shipment has three options: a) Destroy the products in question; b) Re-dispatch these products to a non-EU country; or c) Return the products to the originating country. The latter 2 must happen within 60 days. Where the non-compliance implies a food safety concern, a RASFF notification must be issued. Where the non-compliance implies a plant health concern, a Europhyt notification must be issued.

In certain situation, there may be a temporary increase of import control may be necessary for the following reasons:

- due to a known or emerging risk (e.g., high number of RASFF alerts),
- or because there is evidence of widespread serious non-compliance with the EU agri-food chain legislation (e.g., as highlighted in an audit report from DG SANTE-F) concerning certain goods, from certain non-EU countries, and in relation to a specific risk (hazard).

The temporary increases are laid down in Annex I of Regulation EU 2019/1793 and they concern the identity checks, and the physical checks.

Emergency control measures may also be applied as laid out under Annex II of Regulation EU 2019/1793 that lays down special conditions governing the entry of such goods in the EU. These may include certain food, originating from certain non-EU countries may present a high risk for human health because of:

- contamination by mycotoxins, in particular aflatoxins, and OTA
- contamination by pesticide residues, contamination by pentachlorophenol and dioxins, or
- microbiological contamination from Salmonella.

In cases of emergency control, each consignment of the food under emergency control must be accompanied by an additional form that gives that consignment an **identification code**, accompanied by the **results of sampling and analyses performed by the relevant competent authorities**, and an **official certificate.**

Documents for Customs Clearance

Commercial Invoice:

The commercial invoice is a record or evidence of the transaction between the exporter and the importer. Once the goods are available, the exporter issues a commercial invoice to the importer in order to charge him for the goods. The commercial invoice contains the basic information on the transaction, and it is always required for customs clearance.

Although some entries specific to the export-import trade are added, it is similar to an ordinary sales invoice. The minimum data generally included are the following:

- Information on the exporter and the importer (name and address)
- Date of issue
- Invoice number
- Description of the goods (name, quality, etc.)
- Unit of measure
- Quantity of goods

- Unit value
- Total item value
- Total invoice value and currency of payment. The equivalent amount must be indicated in a currency freely convertible to Euro or other legal tender in the importing Member State
- The terms of payment (method and date of payment, discounts, etc.)
- The terms of delivery according to the appropriate Incoterm
- Means of transport

No specific form is required. **The commercial invoice is be prepared by the exporter according to standard business practice and it must be submitted in the original along with at least one copy.** In general, there is no need for the invoice to be signed. In practice, both the original and the copy of the commercial invoice are often signed. The commercial invoice may be prepared in any language. However, a translation into English is recommended.

Customs Value Declaration

The Customs Value Declaration is a document, which must be presented to the customs authorities where the value of the imported goods exceeds EUR 20 000. This form must be presented with the Single Administrative Document (SAD). The main purpose of this requirement is to assess the value of the transaction in order to fix the customs value (taxable value) to apply the tariff duties.

The customs value corresponds to the value of the goods including all the costs incurred (e.g.: commercial price, transport, insurance) until the first point of entry in the European Union. The usual method to establish the Customs value is using the transaction value (the price paid or payable for the imported goods).

In certain cases, the transaction value of the imported goods may be subject to an adjustment, which involves additions or deductions. For instance, the internal transport (from the entry point to the final destination in the Community Customs Territory) must be deducted. The customs authorities shall waive the requirement of all or part of the customs value declaration where:

- the customs value of the imported goods in a consignment does not exceed EUR 20 000, provided that they do not constitute split or multiple consignments from the same consignor to the same consignee, or
- the importations involved are of a non-commercial nature; or
- the submission of the particulars in question is not necessary for the application of the Customs Tariff of the European Communities or where the customs duties provided for in the Tariff are not chargeable pursuant to specific customs provisions.

Freight Documents (Transport Documentation)

Depending on the means of transport used, transport documents are filled in and presented to the customs authorities of the importing European Union (EU) Member State upon importation in order for the goods to be cleared.

For goods transported by sea, the transport document is the Bill of Lading, which is a document issued by the shipping company to the operating shipper, which acknowledges that the goods have been received on board. In this way the Bill of Lading serves as **proof of receipt of the goods by the carrier obliging him to deliver the goods to the consignee.** It contains the details of the goods, the vessel and the port of destination. It evidences the contract of carriage and conveys **title to the goods**, meaning that the bearer of the Bill of Lading is the owner of the goods.

Freight Insurance

The insurance is an agreement by which the insured is indemnified in the event of damages caused by a risk covered in the policy. Insurance is all-important in the transport of goods because of their exposure to more common risks during handling, storing, loading or transporting cargo, but also to other rare risks, such as riots, strikes or terrorism.

There is a difference between the goods transport insurance and the carrier's responsibility insurance. The covered risks, fixed compensation and indemnity of the contract of transport insurance are left to the holder's choice. Nevertheless, the hauler's responsibility insurance is determined by different regulations. Depending on the means of transport, indemnity is limited by the weight and value of the goods and is only given in case the transporter has been unable to evade responsibility.

The insurance invoice is required for customs clearance only when the relevant data do not appear in the commercial invoice indicating the premium paid to insure the merchandise.

Packing List

The packing list (P/L) is a commercial document accompanying the commercial invoice and the transport documents. It provides information on the imported items and the packaging details of each shipment (weight, dimensions, handling issues, etc.) It is required for customs clearance as an inventory of the incoming cargo. The generally included data are:

- Information on the exporter, the importer and the transport company
- Date of issue
- Number of the freight invoice
- Type of packaging (drum, crate, carton, box, barrel, bag, etc.)
- Number of packages
- Content of each package (description of the goods and number of items per package)
- Marks and numbers
- Net weight, gross weight and measurement of the packages

No specific form is required. The packing list is to be **prepared by the exporter according to standard business practice and the original along with at least one copy must be submitted.** Generally, there is no need to be signed. However, in practice, the original and the copy of the packing list are often signed. The packing list may be prepared in any language. However, a translation into English is recommended.

Chapter 5: Export Support Facilities

Key Export Support Facilities in EAC Partner States

Several support facilities exist in the EAC Partner States. Regarding access to EAC Partner States, export procedures for cocoa and other products to the EAC market can be found at the EAC Trade Helpdesk web portal - https://tradehelpdesk.eac.int

Trade facilitation portals in the EAC Partner States also provide a good repository for trade facilitation requirements (import requirements). For

- Kenya: https://kenyatradeportal.go.ke
- Tanzania: https://trade.business.go.tz/
- Rwanda: https://rwandatrade.rw

In the EAC, standards bureaus also play a key role in facilitating intra-EAC trade. However, standards for cocoa beans, cocoa butter, cocoa powder, and chocolate, are not harmonised. The MARKUP project is assisting[60] standards organisations in the EAC to harmonise these standards. Below is the contact list of standards bureaus in the EAC.

Partner State	Address
Kenya	Kenya Bureau of Standard https://www.kebs.org
Tanzania	Tanzania Bureau of Standards http://www.tbs.go.tz
Rwanda	Rwanda Standards Board https://www.rsb.gov.rw/index.php?id=8
Burundi	Burundi Bureau of Standards and Quality Control https://bbnburundi.org/
Uganda	Uganda National Bureau of Standards https://www.unbs.go.ug

Trade promotion Organisations play a role in promoting both intra-EAC and extra-EAC exports. Below is a contact list of EAC Trade Promotion Organisations.

Partner State	Address
Uganda	Uganda Export Promotion Board http://ugandaexports.go.ug
Kenya	Brand Kenya https://epc.go.ke
Tanzania	Tanzania Board of External Trade
Rwanda	Rwanda Development Board https://rdb.rw/export/

60 New Standards for Cocoa Value Chain in the EAC https://www.eacmarkup.org/news/new-standards-for-the-cocoa-value-chain-in-east-africa

Some sector-specific Business Management Organizations (BMO) in the EAC play a crucial role in promoting the cocoa industry. Below is a list of some BMOs active in the cocoa industry in the EAC.

BMO	Address
The Uganda Cocoa Association Exists to improve the quality, production and export volumes of cocoa produced in Uganda,	Bakwanye House Plot 26 Wampewo Avenue Kololo P.O. Box 29327 Kampala, Uganda Tel: +256 772482248 +256 772164508 http://www.ugandacocoaassociation.com

Key Support Facilities in Importing Markets

a) The International Cocoa Organization (ICO): ICO publishes the ICCO daily price for cocoa beans, which is, "the average of the quotations of the nearest three active futures trading months on the ICE futures Europe (London) and the ICE futures US (New York)".[61] The ICO also publishes a quarterly bulletin of cocoa statistics on their webpage. [62]

Website: https://www.icco.org/statistics/cocoa-prices/daily-prices.html

b) The Intercontinental Exchange (ICE): The intercontinental exchange is an American corporation that owns and operates financial and commodities exchanges and marketplaces. ICE acquired the New York Cocoa Exchange (New York Board of Trade – NYBOT) which a conglomerate of New York Coffee, Sugar and Cocoa Exchange. The company provides data services for several commodities, including cocoa. ICE quotes the ICE Futures U.S. cocoa contract (intraday, 3 months, 1 year, and 2 years), which is considered the benchmark for world cocoa prices.

Website: https://www.theice.com/products/7/Cocoa-Futures

Note: Buyers and sellers of cocoa use the exchange prices as a reference for the physical market of cocoa.

c) The Cocoa of Excellence Program: The Cocoa of Excellence (CoEx) Programme is the entry point for cocoa-producers to participate in the International Cocoa Awards (ICA), a global competition recognizing the work of cocoa farmers and celebrating the diversity of cocoa flavours.

Website: http://www.cocoaofexcellence.org

d) The Centre for Promotion of Imports from Developing Countries (CBI) is a Dutch Ministry of Foreign agency charged with promoting imports from developing countries into the EU. The CBI supports SMEs in developing countries entering the EU market. CBI offers coaching programs, technical support to BMOs, market information services and market linkage support services.

Website: https://www.cbi.eu/

61 ICO https://www.icco.org/statistics/cocoa-prices/daily-prices.html
62 ibid