Funded By
European Union

EU Trade Related Assistance Project
Phase II

COMPONENT 2
Export Guide for Coffee, Cocoa and Coconut Oil to the EU Markets

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Acronyms and Abbreviations

CIC	Coffee Industry Corporation
CCI	Cocoa and Coconut Institute
CEN	European Committee for Standardization
CSO	Civil Society Organizations
DAL	Department of Agriculture and Livestock
DoT	Department of Transport
DTCI	Department of Trade, Commerce and Industry
EPA	Economic Partnership Agreement
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FTAAP F	ree Trade Area of Asia Pacific
GAP	Good Agricultural Practice
GDP	Gross Domestic Product
GI	Geographical Indications
GMO	Genetically Modified organism
GoPNG	Government of Papua New Guinea
HACCP	Hazard Analysis and Critical Control Points
HS	Harmonised Commodity Description and Coding System
IPA	Investment Promotion Authority
IEPA	Interim Economic Partnership Agreement
KIK	Kokonas Indastrie Koporesen
MDG	Millenium Development Goals
NAQIA	National Agriculture and Quarantine Inspection Agency
NISIT	National Institute for Standards and Industrial Technology
NTM	Non tariff Measures
PAH	Polycyclic aromatic hydrcarbons
PNG	Papua New Guinea
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to trade

1. Introduction

1.1. Background

The **overall objective** of the **Trade Related Technical Assistance to PNG, Phase 2** project is to contribute through an increase in international trade, to PNG's sustainable economic growth and development, ultimately resulting in poverty alleviation, income generation and job creation.

The general concerns and objectives of the project are the improvement, through an in-depth focus of technical assistance, of PNG's ability to enjoy an ***market driven*** and export-led growth that contributes to its approach towards sustainable economic growth, and, ultimately, of its national poverty situation, leading to poverty relief.

The **purpose** of the project is to increase, in line with the PNG development strategic plan 2010 – 2030, PNG capacities to benefit from international trade and take advantage of export opportunities.

PNG should be more integrated into the global trade system, so as to realize the benefits of trade more effectively while engaging with the rest of the world through international and regional trade negotiations. PNG is in fact not taking enough advantage of its commercial potential and trade is, at present, not fully considered to be an instrument/engine to develop the country.

To be able to export successfully, PNG's orientation towards growth and development needs to be strengthened. The shift in development paradigm towards sustainable development covers economic diversification and the development of new sectors that should contribute in generating new export opportunities in the renewable sector (fisheries, tourism and agriculture). The paradigm includes also a more equitable distribution of benefits and opportunities (including gender and youth) and a greater attention to the minimization of risks of the environment for transition into a green economy.

1.1.1. The selected Commodities

Over 80 percent of PNG's population live in rural areas and practise subsistence agriculture. Agricultural products make up 18 per cent of the country's exports and accounts for 25 percent of GDP. The main export crops grown by smallholders are cocoa, oil palm, Robusta and Arabica coffee, tea and copra. Approximately 80 percent of coffee production is carried out by smallscale farmers. The World Bank estimates that yields are 30-50 per cent lower than their potential because of a lack of support services and efficient farming techniques Production of cocoa, also primarily by smallholders, has been hit by the cocoa pod borer. Spices, including vanilla, cardamom and ginger, are also grown on a small scale.

The commodities were selected based on consultation with the private and public sector and overall seen as the best ones to go for presently and they are: coconut oil, cocoa and coffee not necessarily in that order of priority.

1.2. General Guidelines

The steps to follow in this process are:
Step 1. Start by Registering as an exporter.
Step 2. Start by selecting target markets (not more than three), where the probability of consumers there have the consumption or buying habits for your products. Collect some basic data on the countries/market, like: GDP, population, demographic break-down (age groups and household status), income per head, degree of inflation, economical trends and economic structure etc. This information can be obtained from public sources and can be found on the Internet. By analyzing the data, you can decide if these potential customers for your product can actually be reached.

Step 3. Find out if these customers would buy your specific product. This is more difficult, since you don't know enough about them. This exercise starts by analyzing the strengths and weaknesses of your product, as seen through the eyes of the consumers. This is a process, requiring you to "think like the consumer", and his or her needs. Try to find out possible reasons why the customer would buy (or not buy) your products. If you believe your products would need some adaptations or value adding take note. This will help you in estimating the costs of such changes; the higher the costs, the more difficult it will become to export.

Step 4. Review target market on the "ease of importing": can your products legally be imported into the target market? This should be easy as a check through the import classification (International Tariff Codes like HS, SITC) would provide you that answer. Consult Department of Trade, or the target country's embassy to get more information. Make sure you know exactly what your product's classification category number is. Part of the import regulations may be related to the environmental sustainability of your products. Check on these as well. Find out possible import duties and tariffs if applicable, other regulations in the framework of preferential trading agreements.

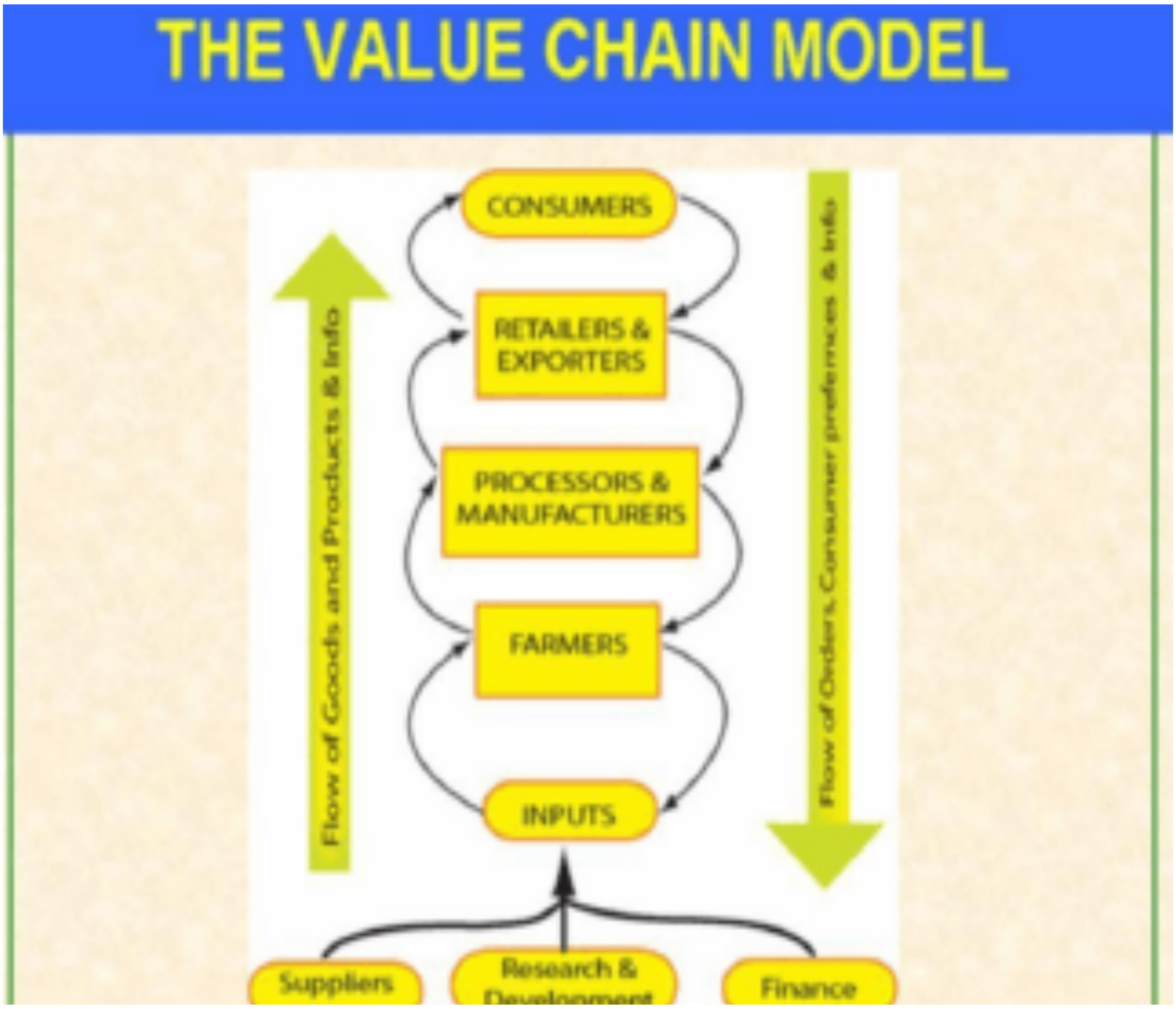
Step 5. Analyze the "ease of transporting" of your product. Naturally, very large and heavy goods will be expensive to transport over longer distances. That will have its impact on the pricing in the target market. Your product should not become too expensive there. Small items or high value are less expensive to transport especially when the relation between weight/volume and price favours the latter. But in both cases you should ensure that the packaging is strong enough to withstand rough handling and the hazards of transportation. You will need to have some idea about potential customers in your target markets and will also whether your product can be shipped there and roughly at what (additional) costs.

Step 6. The most critical factor to check is the pricing as this determines everything. Start with the market pricing, i.e. the selling prices to the end-customers. For most consumer goods this is easy by just doing checks in a couple of stores in the target country and note down prices of competing products. Obtaining that information will perhaps require the national trade statistics. It is also helpful to also review products which can compete "by substitution" e.g. compare your coffee with tea, or your coconut oil with palm oil or corn oil offered in the market. The Trade Promotion Organizations might be able to assist you. Of course, knowing the market prices will not mean that you are sure your pricing will be competitive as the market price includes the total set of margins, costs and duties that is added to your production costs. Try to make that rough calculation and if your prices results higher, your product will need to be much better than the present products available. You should ideally be able to match or underbid the current market price. If your prices are far too high you might need to forget about the operation entirely at this time or find a different product to export.

Step 7. The next step in the Export Audit which seeks to compare your present distribution methods with those required for the pre-selected markets. If these methods are similar to yours, then you can assume you have the knowledge to compete successfully, if not, identify the main differences and assess if your product is strong and/or creative enough to be successful in local situation. Seek outside help, if neccessary. Distribution systems in industrialized countries can vary considerably and it should be noted that in developed countries consumer goods are mainly sold via large scale chain stores, organised in buying and seeking economies of scale.

Step 8. With respect to the promotional methods related to your product the job is about the same as with the distribution. It should be understood that "promotion" includes all activities to support and promote the actual selling in the target market abroad. Meaning, the marketing should start with comparing the present communication strategy (advertising, printed instructions and information

brochures etc.) with the market habits or requirements and even translating them into the appropriate language.



1.2.1. Basic Consideration before exporting

One of the main challenges facing would-be exporters of agricultural commodities is the scarcity of reliable trade intelligence on markets. Exporters need to stay informed of competitive factors in their current markets, seek opportunities for new or emerging markets, as well as look for opportunities to diversify or value-add to their existing product range. It should be noted that importers worldwide also seek to benefit from the potential offered by preferential trade agreements and improve the efficiency of their sourcing by looking for new, cheaper and competitive suppliers.

Planning is a must

No export operation can lead to success without careful planning. The complex nature besides the high degree of risk and the investments, all these elements of export increase the need for planning and organising yourself well.

Marketing

Marketing has developed into a universal system for commercialisation because you focus on the consumer. It has become one of the most effective management tools. Marketing differs from other tools because it can generate money, not costs.

When in a market, demand is less than the supply; suppliers can only grow by 'grabbing' market-share from others. In a free-trade situation, this leads to fierce competition. In those countries marketing is no luxury anymore; it has become a necessity.

Strategic competitiveness

According to Michael Porter[1], there are only three positions which have proven potentially strong and promising enough to defend in competitive advantage.

- ***Cost leadership*** implies that you will be able to offer your products at the best price/quality value, because you have the lowest cost price (compared to your competitors).
- ***Product differentiation*** means that your assortment is wider and deeper than that of your competitor.
- ***Specialization*** speaks for itself; it indicates that you have succeeded in making products that are so special that no competitor finds opportunity nor reason to imitate it. Since such position can give you maximum protection, it is a favoured one for many supplier.

Value addition

When you 'value add', you are in the process of making more out of less. You are using your resources in such a manner that more money will come in than you have invested. That is the art of doing business and maximizing profits.

Product differentiation means that some feature, physical attribute, or substantive difference exists between a product and all other alternatives. A common route to product differentiation is branding for consumer loyalty, examples being Starbucks coffee and Cadbury chocolates. The use of GI facilitate this now eg. Blue Mountain Coffee

Specialty coffees are coffees at their peak and are different to other coffee because specialty coffee has been grown at the perfect altitude, at the correct time of year, in the best soil, and then picked at just the right time. All this translates into some of the most exciting and tasty coffee in the world. Specialty cocoa beans is classified as "fine" or "flavor" beans.

A **niche market** is the subset of the market on which a specific product is focused. The market niche defines as the product features aimed at satisfying specific market needs, as well as the price range and production quality. Demand for organics is considered a niche market.

Your product should be special

When looking at your product in order to decide if it will be a good export product an important task will be to assess its competitiveness. In most foreign markets your kind of product is already available and offered by your competitors, whom you will have to compete against in order to gain a share of the market.

What makes your product special?

The answer is: almost anything, as long as the consumer recognizes it as such. Always comparing it with competitive products this can be:

- ✓ a better flavour or taste, design, colour or shape
- ✓ it works better

[1] Porter, Michael E., "Competitive Advantage". 1985, Ch. 1, pp 11-15. The Free Press. New York.

- ✓ a lower price
- ✓ easier handling, more practical
- ✓ a better or nicer-looking packaging
- ✓ consistency of supply

In summary: a better buy than your competitor's product.

2. DETAILED AND SPECIFIC GUIDELINES

2.1. STEP 1: Registration As An Exporter

Any person wishing to export will need to register with:

a. As a farmer with the relevant commodity board

b. As a business with IPA

c. As an exporter with DTIC.

2.2. STEP2: Select your target Market

We have agreed in principle our target market will be the EU. There is demand for **coffee** which we observed in London there is a huge demand as well in the EU. There is interest for PNG coffee but the issue is consistency of supply. There is need for certification of "authenticity" and other sustainable certification.

For **Cocoa**, similar to coffee the issues is supply and also meeting the requirements set by the EU as it relates to sustainability certification as well as traceability and most importantly the issue of cadmium and also other contaminants. Sustainable certification will also assist in facilitating market access. The situation is similar for coconuts – the issues or concern being dioxins and PAH.

2.3. STEP 3: Ease of Exporting

2.3.1. Products That Requires Registration/License/Certificates For Export

Product	License/permits/certificates	Competent Authority	Cost
Coffee	Processors, manufacturers, exporters, levy/shipment	**CIC**	1500/2500/2500 10c/kg
Coconut	Buyers,processors. Exporters, levy: copra, oil, meal	**KIK**	1000, 2000, 2500, 30/mt, 27.82/mt, 9 mt
Cocoa	Export	**Cocoa Board**	2300

Certificates generally required for exports:

a) Certificate of Origin - This certificate is required by the customs of the importing country. It is issued by Department of Customs.

b) Quality Certificate - This is issued by NISIT. Private quality certificates are issued by Commodity boards eg. Coffee and cocoa.

c) Food safety certificates are issued by the Department of Health. HACCP certifications need be taken into consideration.

d) Phytosanitary Certificate This certificate is required by the importing country, when exporting plants products. It is issued by NAQIA.

e) Fumigation Certificate This certificate may be required by buyers/government for the import of Agricultural Products. Fumigation activities are done by plant quarantine service of the NAQIA.

2.3.2. Registration and inspection services by Commodity Boards/Dept of Agriculture (NAQIA)

- Registration as a Food Business Operator (FBO) (Food Safety Standards)
- Phytosanitary registration and approval for special markets

This is when there is negotiated bilateral agreements (protocols) with various countries for different products. These specify the requirements to reduce the risk of quarantine pests and diseases.

Application of GAPs for phytosanitary registration

An exporter has to apply Good Agricultural Practices (GAPs) and procedures for specific plant pests in order to beable to export to some countries. These phytosanitary GAP documents relate to the quarantine of pests concerned to the importing country, as listed in the relevant bilateral export protocol. Producers that are approved and registeredto participate in the relevant export programme must apply the required GAPs.

2.3.3. Inspection of farms (Inspection and certification services for special markets including the European Union (EU))

Exports to the European Union (EU) is required to be checked for conformity with the EU marketing standards for quality and labelling before it is allowed to be cleared for free circulation by customs in each EU memberstate. Certain countries have been certified by the EU as having an Approved Inspection Service (Competent Authority). This means the country can produce its own Conformity Certificates that will be accepted as proof of conformity with the marketing standards of the EU.

2.3.4. Quality Control And Phytosanitary Measures (Management and control through inspection)

To have export-ready products it is imperative to have quality control and traceability measures in place. Good-quality starts with production. NAQIA/Commodity Boards inspection through contact points in provinces will be necessary including Phytosanitary inspections by NAQIA.

2.3.5. Phytosanitary/Food Safety Documentation Needed For Exports

- Certification
- Guidelines for completion of the application forms for phytosanitary registration and approval
- Declaration document/form
- Treatment certificates and other certificates

2.3.6. Food safety

Food business operators will need to have in place, implement and maintain a permanent procedure, or procedures, based on the Hazard Analysis and Critical Control Points **(HACCP)** principles.

The importance is to be complaint with:

- *Global Food Safety Initiative, such as ISO 22000, British Retail Consortium (BRC) or International Featured Standards*
- *Codex Alimentarius Standards*
- *Local standards*
- *GMO (Biosecurity policy)*
- *Pesticide Control*

This will require the need for NISIT to develop ***Laboratory capacity and to be accredited.***

2.3.7. CUSTOMS PROCEDURES

- Making Customs Declaration
  Customs Declaration- In international trade commodities cross borders of countries. At the border, the parties involved in the trading transaction are required to declare to the relevant authority at the border, the details of the commodities that are being imported or exported. The declarations made at the border point, which can be a sea port or airport or land point is named as the Goods Declaration.

- Commercial Invoice
  Invoice is a document prepared by the Exporter stating all the particulars regarding the shipment. This has to be filled along with the Goods Declaration at the time of processing it at the Export Office. Document required by customs in an importing country in which the seller states the price (e.g. selling price) and specifies costs for freight, insurance and packing, etc., terms of delivery and payment. This is for the purpose of determining the customs value in the importing country of goods consigned to that country.

- Packing List A document specifies the contents of each individual package in the shipment.

- Other Documents (if applicable) Any Permits / License• Material Utilization Sheets

2.3.8. PORT PROCEDURES

Port Charges Before transporting goods to the port, the exporter has to pay port charges to the Ports Authority. To pay these charges, he is expected to submit completed copies of shipping. These charges could be categorized under following headings:

1. Landing & Delivery Charges
2. Shipping Charges
3. Bonding & Entrepot Charges
4. Crane charges
5. Occupation Charges (Rent)
6. Ancillary Charges for services, if required

2.4. STEP 4: Review target market on the "ease of importing"

The minimum legislative requirements in Europe may pose a significant barrier to exporters. Consumers are increasingly strict with respect to compliance with legislative and non-legislative requirements and will monitor this closely.

Commodity segment: For bulk coconut oils, entry barriers in terms of volumes, prices and initial investments, form the threshold for new suppliers to successfully enter established markets. Commodity buyers generally require high volumes and supply consistency, which can be difficult for small and medium-sized exporters to comply with. This situation is similar for coffee and cocoa.

Speciality segment: This segment commands lower volumes at a higher price. This usually means that products must have added value in terms of quality, variety or certified sustainability aspects. These come on top of basic quality requirements demanded by buyers in the conventional segment. It is applicable to the three identified commodities.

Food safety is the basis of legislative and additional requirements for coconut oil (coffee and cocoa) Food safety is one of the key issues in European legislation. All food products marketed in Europe must comply with the General Food Law. Buyers commonly require their suppliers that they have a quality/food safety management system in place. These systems require companies to demonstrate their ability to control food safety hazards in order to ensure that food is safe at the time of human consumption. Suppliers can apply a basic HACCP system. However, if they aim to supply food manufacturers more directly, it is necessary to have a certified food safety management system recognised by the Global Food Safety Initiative, such as ISO 22000, British Retail Consortium (BRC) or International Featured Standards

2.4.1. Packaging And Labelling

Traceability

The important issue to focus on is traceability. The FBO codes assist with this to ensure that produce can be traced back to the place where it originated from. A good traceability system links a food safety problem to a specific country, pack house, producer. This is important for a number of reasons:

(a) A problem can be linked to one specific producer rather than a whole group.
(b) It is a fast and accurate way to get to the source of the problem,which limits risks relating to health and diseases.
(c) It limits unnecessary costs.
(d) It limits public concerns and fears.

The EU Regulations are strict on provisions on the traceability of food: the ability to track food products through the stages of production. For exporters to the EU, your buyers (minimally) expect you to:

- ✓ know and document your buyers and suppliers,
- ✓ know which products are used during the production process, and
- ✓ label final products for traceability in case of a food safety problem.

Labelling

Labels must include the following:

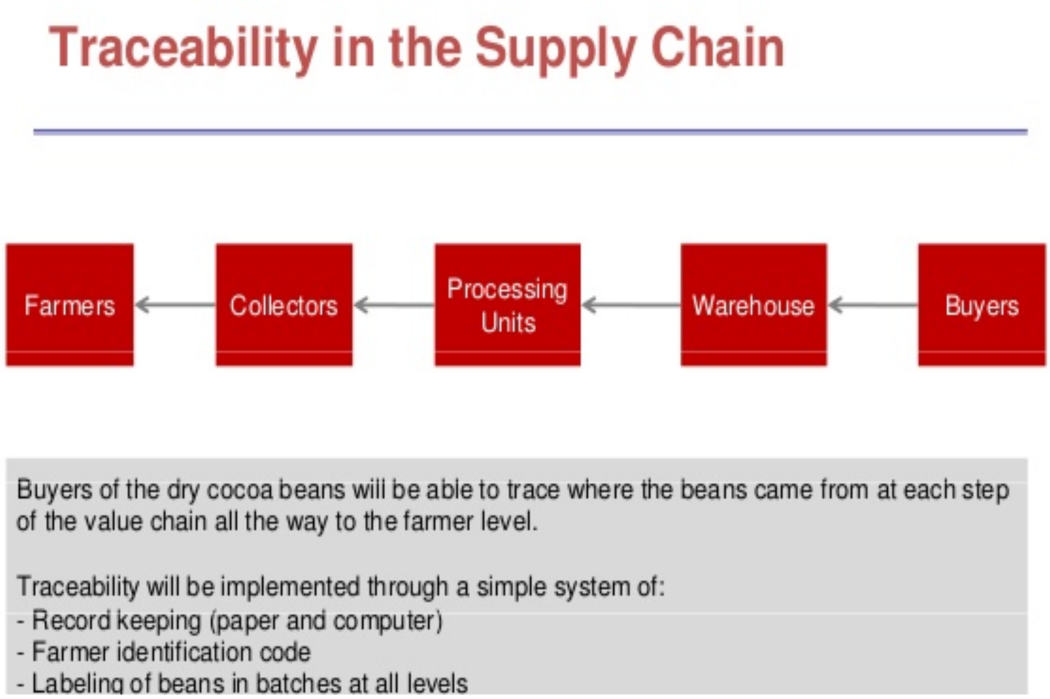
- Product name
- Manufacturers lot or batch code
- If the product is destined for use in food products
- Declaration of allergenic substances
- Name and address of exporter
- Products country of origin
- Shelf life: Best before date/ use by date

– Net weight/volume in metric units
– Recommended storage conditions

Labelling legislation applies to pre-packed consumer products, for example oils in consumer bottles. Product labels should inform consumers about composition, manufacturer, storage methods and preparation of the oil.

For refined vegetable oils and fats, specific indications and designations of ingredients apply:

- Mandatory indication of the specific vegetable origin of oils / fats;
- The expression "fully hydrogenated" or "partly hydrogenated" must accompany the indication of a hydrogenated oil / fat.



Wood packaging if shipping on pallets

Wood packaging material is regulated in international trade to reduce the risk of introduction and/or spread of the associated quarantine pests. All regulated wood packaging material (e.g. wooden pallets) must be debarked, treated with methyl bromide or heat treated and bears the relevant IPPC mark to indicate that it complies with ISPM 15. The IPPC mark should be legible, permanent and not transferable, placed in a visible location, preferably on at least twoopposite sides of the pallet.

2.4.2. Non Tariff Measures related to exports

Check on the ease of importation of your product in foreign markets again. Usually, a collection of tariff and non-tariff barriers is between you and your target markets. Business persons tend to have a natural dislike for rules and regulations and may overlook one and be stopped at the border. The rules in the European Union are strict, to say the least.

Characteristically for a well-developed free market, government tries to rule out potential problems in the distribution of goods and services to their people. The Single Market is governed by a set of rules, which tends to get stricter along with the gradual removal of import duties. The advantage is that government regulations are published, so they can be known. Simply, check the import regulations using the international tariff code of your product to access data. The first information that you will find, pertains to duties and quotas or other rules concerning preferential import facilities. The next category of import rules are the non-tariff ones. They serve to enable the end consumers to choose wisely during shopping. Many consumer goods must be packed in boxes with standard dimensions, in packages with standard contents. Such standards also rule materials, products, processes and services used in manufacturing and/or distribution of goods. In the EU the organisation that look after the harmonisation of standards of our interest is the CEN.

Sanitary and Phytosanitary (SPS) measures, Technical Barriers to Trade (TBT) and rules of origin, exporters report difficulties meeting technical and conformity assessment requirements related to TBT and SPS imposed by importing countries. They raise issues regarding compliance procedures with EU or home country regulations (export-related measures), as well as with the procedures to obtain certificates of origin. Exporters face procedural rather than regulatory obstacles. Another key finding is that, in the majority of cases, the burden is entirely or partially due to procedural obstacles: these are linked to the way in which companies need to prove compliance with a given regulation (e.g. approval of procedures or information and transparency issues), rather than to the stringency of the regulations themselves. The process of obtaining the necessary certificates often ends up being long and burdensome.

TIP: Avoid contamination to ensure food safety

Contamination can occur from the field or during processing, packaging, transport or storage of oils (coffee and cocoa). The European legislation sets maximum levels allowed, according to different contamination sources:

- Polycyclic aromatic hydrocarbons (PAHs)
- Ochratoxin A (OTA)
- Aflatoxins
- Microbes
- Dioxins and Polychlorinated biphenyls (PCBs)
- Heavy metals
- Pesticides
- Foreign matter: anything that does not belong in the oil, coffee or cocoa

Product specifications Coconut oil

Quality

- Coconut oil is derived from the kernel (meat) of the coconut. The oil is produced from the dried kernel (copra oil/conventional coconut oil).
- The main quality problem associated with coconut oil is contamination. This makes it crucial that special care is taken in all steps of the production process, from harvesting to distribution. Coconut oil is one of the vegetable oils most resistant to rancidity.
- Make sure that the raw material (i.e. coconut) is at the right maturity (partially or completely brown). The coconut should be cleaned of metals, dirt and other foreign material.
- Ensure proper extraction conditions: dosage of processing aids, temperature, pressure/vacuum, flow rate, etc.

- Prevent adulteration and contamination by other foreign materials (e.g. dust) by keeping facilities and equipment clean. Ensure proper storage and transportation (see 'Packaging').

Organic

Comply with organic standards for the production of the raw material:

- Do not use of synthetic pesticides, use of natural fertilisers, natural control of weeds, full traceability, internal control system, etc.
- Do not use solvents or other chemical substances during oil extraction.
- Preferably dedicate the processing plant to the production of organic oils only, in order to avoid contamination from non-organic particles. If this is not possible, ensure thorough cleansing of machinery and equipment at all times.

Labelling

- Ensure traceability of individual batches.
- Use the English language for labelling unless your buyer has indicated otherwise.
-
- ***Organic (if relevant):***
    - Name/code of the inspection body and certification number.

- ***Packaging***
    - Coconut oil is transported in different types of containers (e.g. tank containers, Intermediate Bulk Containers (IBCs), flexi tanks, drums) depending on volumes transported and local availability of such containers. Buyers might have specific packaging requirements as well.
    - Organic coconut oil should remain physically separated from conventional oils. Ensure preservation of quality by Cleaning and drying the container before loading the oil. Not loading rancid coconut oil.

Study your target market in order to make an educated decision when exporting coconut oil. It is important to understand factors such as product application, taste preferences, competing suppliers and potential buyers in the specific destination countries.

Maximum Residue Levels (MRLs) of pesticides in food: European Union legislation has been laid down to regulate the presence of pesticide residues (MRLs) in food products.

If the agricultural raw material (coconut) for your oil has been treated with pesticides, verify that residues remain within limits.

Buyers will look at two main factors to determine the quality of your VCO product:

1) moisture content, which should not exceed 0.5%;
2) lauric acid content, which should range between 45 and 50%.

The oil is ideally produced within 48 hours after harvesting in order to safeguard freshness. Quality is highest if the oil is extracted from the first pressing of the coconut. Virgin coconut oil can also be centrifuged at 8,000 rpm to separate the oil from any left-over solids and to increase the quality of your product.

Cocoa and chocolate

The European Union (EU) defines a number of specific common rules for cocoa and chocolate products which complement the legislation applicable to foodstuffs. These rules concern composition, sales names, labelling and presentation.

ACT

Directive 2000/36/EC of the European Parliament and of the Council of 23 June 2000 relating to cocoa and chocolate products intended for human consumption [See amending act(s)].

SUMMARY

This Directive harmonises the labelling of cocoa and chocolate products, and establishes definitions for these products in order to enable consumers to make informed choices. It applies without prejudice to the general provisions relating to the labelling of foodstuffs.

Products concerned

This Directive applies to cocoa and chocolate products intended for human consumption as specified in Annex I to the Directive.

Composition

This Directive adopts the composition of cocoa and chocolate products. In particular, for certain products it determines the minimum percentage of cocoa butter which can be used. It also determines the possibility to use a quantity of vegetable fats which does not exceed 5 % of the end product. The vegetables fats (other than cocoa butter) which can be used are listed in Annex II to the Directive.

Labelling

Only products manufactured according to the compositional rules laid down by this Directive may be marketed under one of the following **names** (see Annex I to the Directive):

- cocoa butter;
- cocoa powder, cocoa;
- fat-reduced cocoa powder, fat-reduced cocoa;
- powdered chocolate;
- powdered drinking chocolate, sweetened cocoa, sweetened cocoa powder (possibly supplemented by the term fat-reduced);
- chocolate (possibly supplemented by the terms vermicelli or flakes, couverture, and gianduja);
- milk, cream or skimmed milk chocolate (possibly supplemented by the terms vermicelli or flakes, couverture and gianduja);
- family milk chocolate;
- white chocolate;
- filled chocolate;
- chocolate a la taza;
- chocolate familiar a la taza;
- chocolates or pralines.

The labelling of cocoa and chocolate products may include **additional information**. For example, the labelling of chocolate products containing vegetable fats other than cocoa butter must bear the statement contains vegetable fat in addition to cocoa butter in the same field of vision as the list of ingredients, clearly separated from that list.

The labelling of powdered chocolate, of sweetened cocoas, as well as of chocolate, milk chocolate, family milk chocolate, chocolate a la taza and chocolate familiar a la taza must indicate the total dry cocoa solids content. In addition, the labelling of non-fat and reduced-fat cocoas and powdered chocolate must indicate the cocoa butter content.

2.4.3. NICHE MARKETS AND PRIVATE STANDARDS

Organic
Organic certification is on the rise for oils. To access specific market segments in Europe, organic might be an actual buyer requirement. In general, organic regulation and testing is expected to become stricter.

Organic certification requires compliance with the European Legislation for organic production and labelling. The regulation also contains specific provisions for processed foods (including labelling), a category which includes vegetable oils. Only certified products can carry the European Union's organic logo, as well as the logo of the standard holder (eg. Soil Association in the UK, Naturland in Germany).

New Organic legislation will be implemented in the European Union in mid-2017. Although the objective is to simplify the old organic legislation, it will be a concern for exporters and producers from "developing countries with completely different meteorological, environmental and structural conditions to comply with the rules made for European conditions" (IFOAM).

What are the requirements for niche markets? Regulation (EC) 834/2007 on organic agriculture: The European Union has established requirements on the production and labelling requirements with which an organic product of agricultural origin must comply in order to be marketed in Europe as "organic". In general, the market for organic coconut oil is still a niche segment. If you do choose to obtain a certificate for organic production, refer to the European Union Regulation for organic production and make sure your organic certification is harmonised with the European legislation.

Fairtrade
The market for fair trade-certified vegetable oils in Europe remains very small. However, increasing consumer awareness of social responsibility and connectedness to producing communities has had a positive impact on this niche segment.

FLO Cert is the leading standard-setting and certification organisation for Fairtrade. Products which carry the Fairtrade label indicate that producers are paid a minimum price, including some oils, but is common for coffee and cocoa.

Before embarking into Fairtrade certification, make sure to assess (in consultation with your potential buyer) if this label has sufficient demand in your target market and whether it will be cost beneficial for your product. Although FLO certification is the leading fair trade certification scheme in Europe, you can also check out other schemes such as IMO's Fair for Life and Ecocert Fair Trade.

Eurep Gap and GlobalGAP
In the mid-1990s, the Euro Retailer Group (EUREP), representingthe leading European food retailers, agreed toaccept and promote a set of good agricultural practices (GAP).This was in response to increasing consumer interest on theimpact of agriculture on food safety and the environment. TheEurep GAP Standard was consequently established andrun by FoodPlus as a private non-profit organisation with itsheadquarters in Germany.

Eurep Gap has been superceded by GlobalGAP, whosestandard comprises three categories of control points basedon different required levels of compliance. These are the MajorMusts

(100% compliance required), Minor Musts (95% compliance)and Shoulds (recommendation level). The Major andMinor Musts constitute most of the food safety issues at theproduction sites with strong emphasis on the regulation ofGAP in the application of agricultural chemicals.

Food producers are required to demonstrate their commitment to:

- Maintaining confidence in food quality and safety
- Minimising any detrimental impact on the environment, while conserving nature and wildlife
- Reducing the use of agrochemicals through the adoption of Integrated Production Systems
- Improving efficiency of use of natural resources such as soil, water, air and energy
- Ensuring a responsible attitude to worker health and safety, welfare and training

To receive and retain a GlobalGAP certificate, third-party verification by a certification body is required every 12 months.Verification is done by on-site audits. These audits usually take four to six hours.

2.5. STEP 5: EASE OF TRANSPORTING

2.5.1. Shipping – trends and strategies

The pattern of shipping mode usage has also shifted in keeping with worldwide trends. On a global basis, it is expected that the use of containers will continue to increase.

Container liner shipping

The expansion of the global container-shipping industry is a result of intense, inter-container liner competition, with governments subsidising their shipping and ship-building industries, the entrance of new, low-cost Asian shipping linesand the ease with which containers are able to be transshipped from one mode of transport to another.International shipping is moving away from the traditional port-to-port services towards door-to-door solutions. The severe competition between container shipping lines has forced ship owners to adopt innovative, productivity enhancingand cost-cutting measures.

2.5.2. Shipping terms (trading terms or Incoterms)

Cost of goods plus cost of	Code	Explanation
Export packing and marking	**EXW Ex Works** (named place)	'Ex works' means that the seller delivers when he places the goods at the disposal of the buyer at the seller's premises or another named place (i.e. works, factory, warehouse etc.) not cleared for export and not loaded on any collecting vehicle.
Getting goods to railway station or truck for transportation to port.	**FCA Free Carrier** (named place)	'Free Carrier' means that the seller delivers the goods, cleared for export, to the carrier nominated by the buyer at the named place. It should be noted that the chosen place of delivery has an impact on the obligations of loading and unloading the goods at that place. If delivery occurs at any other place, the seller is not responsible for unloading.
Transport to port and getting goods alongside ship	**FAS Free alongside ship**	'Free Alongside Ship' means that the seller delivers (... named port when the goods are placed alongside the vessel at the of shipment) named port of shipment. This

		means that the buyer has to bear all costs and risks of loss of or damage to the goods from that moment.
Getting goods on board and preparing shipping documents.	**FOB Free on board** (.. named port of shipment)	'Free on Board' means that the seller delivers when the goods pass the ship's rail at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods for export. This term can be used only for sea or inland waterway transport. If the parties do not intend to deliver the goods across the ship's rail, the FCA term should be used.
Freight cost (port to port)	**CFR Cost and Freight** (... named port of destination)	'Cost and Freight' means that the seller delivers when the goods pass the ship's rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination BUT the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time of delivery, are transferred from the seller to the buyer.
Marine insurance	**CIF Cost, Insurance, Freight** (... named port of destination)	'Cost, Insurance and Freight' means that the seller delivers when the goods pass the ship's rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination BUT the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time of delivery, are transferred from the seller to the buyer. However, in CIF the seller also has to procure marine insurance against the buyer's risk of loss of or damage to the goods during the carriage.
Putting goods at disposal of customer on board vessel at port of destination	**DES Delivered Ex Ship** (... named port of destination)	'Delivered Ex Ship' means that the seller delivers when the goods are placed at the disposal of the buyer on board the ship not cleared for import at the named port of destination. The seller has to bear all the costs and risks involved in bringing the goods to the named port of destination before discharging. If the parties wish the seller to bear the costs and risks of discharging the goods, then the DEQ term should be used.
Unloading charges at port of destination	**DEQ Delivered Ex Quay** (... named port of destination)	'Delivered Ex Quay' means that the seller wants the goods are placed at the disposalof the buyer not cleared for import on the quay (wharf) at the named port of destination. The seller has to bear costs and risks involved in bringing the goods to the named port of destination and discharging the goods on the quay (wharf). The DEQ term requires the buyer to clear the goods for import and to pay for all formalities, duties, taxes and other charges upon import.
	DAF Delivered at Frontier (...name place)	'Delivered at Frontier' means that the seller delivers when the goods are placed at the disposal of the buyer on the arriving means

		of transport not unloaded, cleared for export, but not cleared for import at the named point and place at the frontier, but before the customs border of the adjoining country. The term 'frontier' may be used for any frontier including that of the country of export. Therefore, it is of vital importance that the frontier in question be defined precisely by always naming the point and place in the term.
Payment of duties and transport to customer	**DDP Delivered Duty Paid** (...named place of destination)	'Delivered Duty Paid' means that the seller delivers the goods to the buyer, cleared for import, and not unloaded from any arriving means of transport at the named place of destination. The seller has to bear all the costs and risks involved in bringing the goods thereto including, where applicable, any 'duty' (which term includes the responsibility for and the risk of the carrying out of customs formalities and the payment o formalities, custom duties, taxes and other charges) for import in the country of destination.

2.6. Step 6: Pricing

The information you need for price calculations are:
1. Your export cost price per unit product
2. your objectives for sales and profit
3. the transportation costs from factory to port
4. the costs of long-haul shipping to your target market
5. the costs of insurance, of documentation, of credit / payment terms
6. the mark-ups of the distributive trade in your target market
7. the VAT or sales tax rate there.

Calculation:
Unit cost + (profit %) + transport cost= FOB price
FOB + Freigh and insurance = CIF
CIF + duties + handling cost + marketing costs = market price

2.6.1. Payments condition specified

OPEN ACCOUNT/ACCOUNT CURRENT
The seller allows credit to the buyer for a certain period of time after the delivery of the goods, most often this is a short period; the buyer will usually effect payment through a bank transfer.

Prerequisites for this type of payment are:
- a well-known customer with a good reputation in general and specifically toward the seller;
- standard merchandise that can be identified along the lines of the delivery circuit;

- no political risks or drawbacks in international trade.

PAYMENT PER CHEQUE

The cheque is an unconditional order to a bank to pay - on first presentation of the document - the amount shown on the cheque. Payment should be done to named person, or to his order or to bearer.

Due to the fact that the issuing bank will pay the amount concerned only if the customer's account shows a sufficient balance, this method of payment does not give much more security than the open account. Although, in many countries the issue of an uncovered cheque is a criminal offence. Cheques issued by a bank are usually guaranteed by that bank and they can as such be negotiated with the bank of the beneficiary party.

PAYMENT AGAINST DOCUMENTS (C.A.D. or D.A.P.)

In international trade shipping documents, such as bills of lading, airway bills and certain consignment notes (C.M.R.), represent the shipped cargo, i.e. the merchandise can only be accepted ('taken delivery of') against presentation of such shipping documents.

Payment against documents is a payment method that is based on the representative value of those bills of lading. The supplier presents the documents to his bank (e.g. bills of lading, insurance policies, certificates of origin, and inspection certificates) with the instruction to send them to the customer for collection of payment.

Bound by the agreed terms in the selling contract, the customer exchanges the documents against actual payment of the invoice amount or against a draft (bill of exchange), being a promise to pay the amount on agreed date of "maturity". Bills of Exchange can be considered as guaranteed payment if they are countersigned ("for aval") by a bank.

CASH AGAINST DOCUMENTS

Cash against documents gives the seller the security, that even in the event the documents are not accepted by the customer, the goods remain available for the supplier.

Nevertheless an advantage with a very limited positive effect, as in such a case:

- the goods have to be sold to another client (available at the same price?)
- the goods have to be returned to the seller (double cost of shipping etc.)
- there is the risk of a dead stock if the goods were made to special specifications or of practical loss in case of perishables.

LETTER OF CREDIT (L/C)

The L/C requires involvement of commercial banks, who take over the obligation to pay on behalf of the buyer. In order to do so, the buyer's bank, who has extended credit to the amount of the invoice, will scrutinize the contract for agreement. Occasionally, the seller will invite his own bank to reconfirm the obligation to pay, which implies payment by this bank (who in turn will charge the buyer's bank). L/C payments are very secure but costly.

2.7. Step 7: Distribution

The reality is that this would not apply to these commodities. The idea is to sell to distributors especially Supermarket chains or brokers. You can use the internet to sell your product online and avoid the cost of distribution especially if our volumes are small. Nevertheless for larger businesses they might be interested in distribution and they can afford to pay for advice.

2.8. Step 8: Promotion of product

"Promotion" includes all activities to support and promote the actual selling in the target market abroad. Meaning, the marketing should start with comparing the present communication strategy (advertising, printed instructions and information brochures etc.) with the market habits or requirements and even translating them into the appropriate language.

3. Export Support Services

3.1. Industry Associations and Export Councils

It is agreed that an Export Council be made up of representatives of the Commodity Boards, NISIT, NAQIA, Customs, DAL, DOH, Private Sector Representatives and whomever it is deemed necessary for it to be effective. It will be led by the NTO. It will allow a platform to lobby and to speak on behalf of the exporters.

3.2. TRAINING

The Export Council should be the platform to provide training on the entire value chain of the selected commodities for export. It will allow a platform to lobby and to speak on behalf of the exporters.

3.3. FINANCE

Why do you need finance?

When your export plan is in place and you are ready to start, perhaps the first step on the road of exports is to give consideration to how you will finance your exports. Exporting is a complicated and expensive process. It requires time,considerable planning, extensive research (much of it overseas), highly skilled staff, product adaptations, internationaltravel, expensive international promotions and management involvement. At the same time, your prices (and margins)are often keener in export markets and your payment terms may mean that you only get paid in 30, 60, 90 or 120 days.Together, this translates into high expenses and slow income. Cash-flow is often a major problem facing the smallerexporter.

When do you need finance?

You will need financing almost from the moment you decide to get into exports. These financing requirements can be divided into four parts (the first three are the pre-contract phases, while the last stage is the post-contract phase):

a) Financing to do some research on the internet and spend some time with your planning and cost and benefit analysis. Your expenses are related more to the time you need to put into the planning and preparation process. You should be able to cover these financing outlays yourself.
b) Financing to help you with your export marketing research efforts. This is the stage where you may take a lot of time and effort to select your target countries and gain a better understanding of the target market you wish to enter. Your expenses will probably be related to a fairly extensive desk-research effort as well as at least one visit to the target market where you may spend a week or more researching the market from within, speaking to industry associations, chambers, potential buyers and, more than likely, visiting a trade fair or two. If you plan your research carefully, you may be able to achieve all of your in-market research goals in one visit. A second visit may, however, be desirable. It is very difficult to estimate accurately what a trip like this would cost, but a realistic estimate would be for ten days to two weeks of in-market research.At this point you may already need to consider finding financing for this research (the DTIC/IPA?? might provide assistance for smaller exporters for their in-market research efforts).
c) Financing to help you implement your export plan. Based on the research you have done, you will prepare an export plan. Your next step is to implement this plan – this is where you are now! This is another expensive step in the export process. It will involve promoting your products over the internet, *via* direct mail, through advertisements in trade magazines, taking part in one or more trade fairs and visiting potential buyers. It is highly unlikely that you will be able to achieve your objectives without visiting the market in question. Indeed, it is suggested that you will need to undertake at least two or three visits to the market before your marketing has any effect.
d) Financing to help you achieve your contractual obligations. Assuming that your marketing effort has paid off and you have secured a contract, your next step is to produce the goods, package and label them, ship them off to the customer, provide the agreed-upon service and wait for payment. This is perhaps the costliest part of the whole process and is very difficult to estimate. This will be the stage where your financing needs are the most acute.

3.3.1. Export Credit/ Insurance PNG?

This will be followed up by the export council.

3.3.2. Export incentives

This will need to be followed up with IPA and the export council..

3.4. EXPORT READINESS CHECKLIST

Your honest responses should indicate whether you are prepared for exporting or whether you need to devote more time and resources before committing to export.

1. Are you prepared to devote additional time, effort and resources that will be required to become a successful exporter?
Yes ☐ No ☐
2. Are you able to identify unique features and qualities of your product that will enable you to exploit overseas market opportunities?
Yes ☐ No ☐
3. Can your products be modified to accommodate overseas market requirements if necessary?
Yes ☐ No ☐
4. Does your business have a proven track record and a strong marketing presence in PNG?
Yes ☐ No ☐
5. Do you have high quality promotional and marketing material?
Yes ☐ No ☐

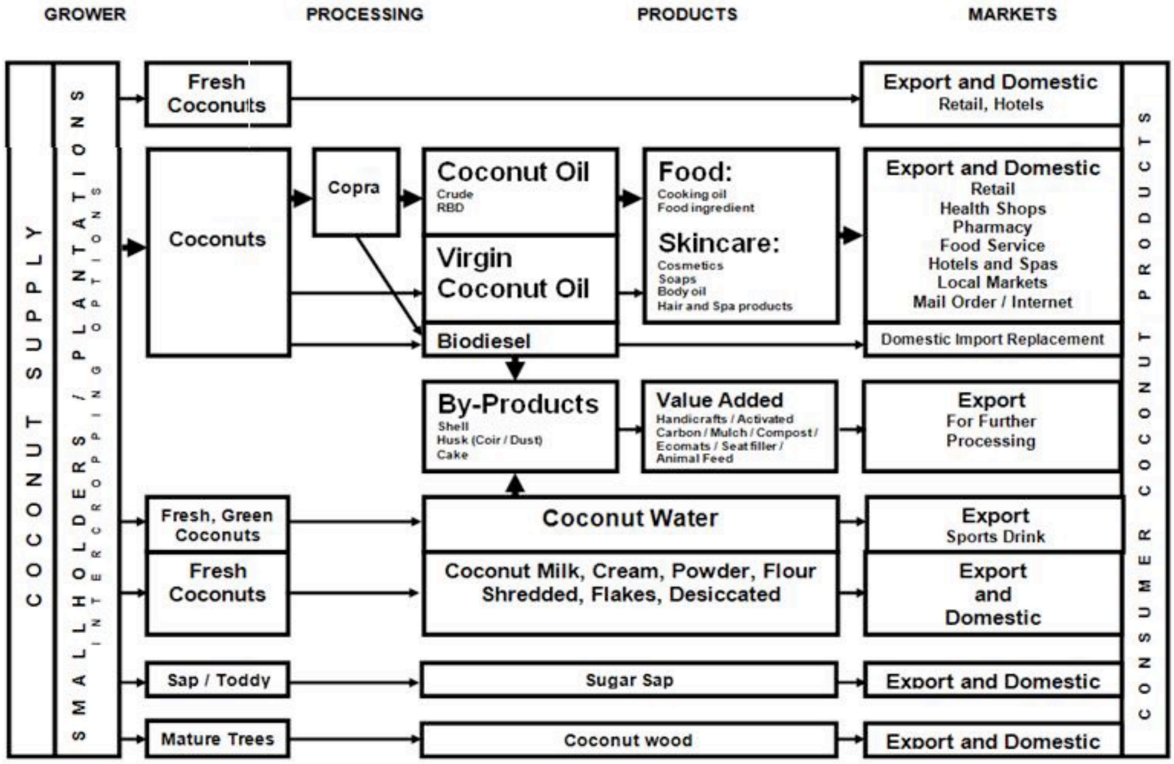
6. Do you have sufficient management skills and expertise to develop and service export markets? If not, can you acquire them?
Yes ☐ No ☐
8. Do you have surplus capacity or the flexibility to expand production quickly if export orders are obtained?
Yes ☐ No ☐
9. Do you have sufficient financial strength and resources to develop overseas markets?
Yes ☐ No ☐
10. Does your company have adequate knowledge in shipping its product overseas, such as identifying and selecting international freight forwarders and freight costing?
Yes ☐ No ☐
11. Does your company have adequate knowledge of export payment mechanisms, such as developing and negotiating letters of credit?
Yes ☐ No ☐

3.5. DATABASES FREQUENTLY USED BY THE DIRECTORATE : INTERNATIONAL TRADE

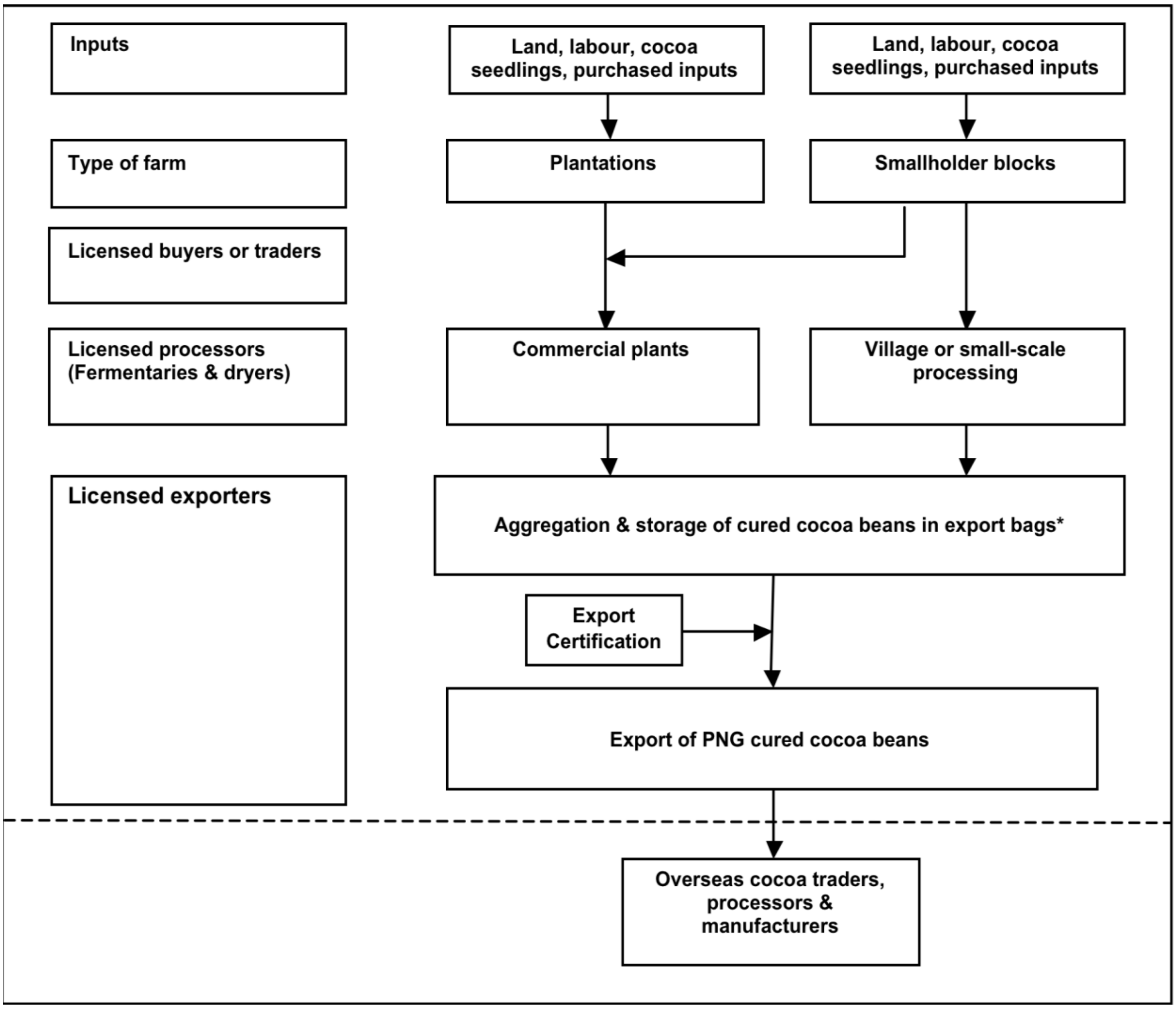
1.1. Trademap – http://www.trademap.org/
1.2. Market Access Map – http://www.macmap.org/
1.3. Product Map – http://www.p-maps.org/
1.4. World trade atlas (WTA) – http://www.gtis.com/english/GTIS_WTA.html

List of Appendices

Appendix 1 – GENERAL PROCESS FLOW FOR COCONUT PRODUCTS



Appendix 2 – COCOA VALUE CHAIN IN PNG



Coffee marketing chain