



REQUEST FOR INFORMATION

Reference Number: RFI-DREQ-001-2020
Title: 2021 Global Cocoa and Cocoa Derivatives Market Study
Issue Date: November 30, 2020
Closing Date for Responses: December 18, 2020
5:00 PM EST
Amended: December 4, 2020

1. Background

The International Executive Service Corps (IESC) implements the USDA-funded Exporting Quality (EQ) Program in the Dominican Republic (DR). The EQ program works with Dominican cocoa producers and chocolatiers to improve the safety and quality of Dominican chocolate and expand global market opportunities. The EQ program seeks to equip Dominican cocoa value chain actors with public access to a 2021 Global Commodity and Specialty Cocoa and Cocoa Derivatives (such as butter, powder, nibs, liquor, and chocolate) Market Study.

This Request for Information (RFI) intends to provide public information to parties interested in IESC's support in the sector, and welcomes engagement from cocoa and chocolate stakeholders to collect information and suggestions about a planned market study on commodity and specialty cocoa and cocoa derivatives (such as butter, powder, nibs, liquor, and chocolate). Information collected will help the USDA-funded EQ program to finalize the design and methodology of the 2021 Global Commodity and Specialty Cocoa and Cocoa Derivatives Market Study Request for Proposals (RFP).

2. Requested Action

IESC is seeking feedback in response to **Attachment A: Activity Description. Respondents will reference Attachment B: the Draft Request for Proposals (RFP) Statement of Work (SOW)**. The final RFP SOW, informed by the RFI feedback, will be integrated into the RFP when released. IESC will conduct a stakeholder conference call with RFI respondents on **Wednesday, January 13, 2021 from 1:00 – 3:00 PM EST**. IESC will release an amendment to this RFI with the final date once decided.

IESC is not seeking technical or cost proposals at this time. Responses to this notice are not offers and cannot be accepted by IESC to form a binding contract. Responses to this RFI are voluntary and IESC will not pay respondents for any information provided in response to this RFI. When a future solicitation in the form of an RFP is issued, it will be announced on the website www.iesc.org and other outlet(s) at a later date.

The release of this RFI does not obligate IESC to release a funding opportunity or solicitation for this proposed activity. IESC is not responsible for any costs incurred in preparing responses to this RFI.

3. Instructions for Submitting Responses/Comments.

Please send all responses to this RFI via email to **Lily Alcock, Senior Program Associate**, at lalcock@iesc.org by **Friday, December 18, 2020 at 5:00 PM EST** with the title **"RFI-DREQ-001-2020"**.

Respondents may include self/organization information including capabilities and past experiences working in the specialty chocolate sector insofar as it impacts their feedback to the questions in Attachment A, Section 2. The entire length of the response is limited to five (5) pages. IESC will not consider any information past the 5-page limit.

You will receive an electronic confirmation acknowledging receipt of your response, but will not receive individualized feedback on any suggestions until the stakeholder conference call.

Thank you for your assistance and interest.

Attachment A: Activity Description

Attachment B: Draft Request for Proposal (RFP) Statement of Work

Attachment A: Activity Description

Preliminary Activity Title: 2021 Global Cocoa and Cocoa Derivatives Market Study

Activity Purpose: The EQ program will release a Request for Proposals (RFP) seeking a firm or consortium to research and author a publicly accessible global cocoa and cocoa derivatives market study.

Geographic Locations:

1. Global with specific consumer research from consuming countries
2. Dominican Republic supply case study

Beneficiaries: Dominican cocoa value chain actors

Anticipated Period of Performance: February – August 2021

1. Problem Statement

There are gaps in publicly available market information about evolving chocolate markets. Updated, improved, and public information can help the growing landscape of cocoa producers and chocolate makers better position themselves in markets and make informed long term investments.

IESC seeks to fund a market study that addresses these information gaps within evolving markets. To that end, IESC is hiring a partner to research and author a market study that details the demand for global cocoa and cocoa derivatives. IESC will include a DR supply country case study as part of the overall study. Potentially the first in a series of country supply case studies, the approved methodology will investigate the Dominican cocoa sector and evaluate how it is positioned against identified opportunities.

2. Specific questions of this RFI

Respondents may provide answers to any or all of the questions below and provide additional information they see as relevant to the proposed activities in Attachment B.

- a.** Considering the attached draft SOW, what additional information do you think prospective offerors would find useful in preparing their proposals?

- b.** Which aspects of the price structure and profit margin research methodology outlined in the draft SOW should IESC emphasize in the final SOW such that it would allow other cocoa-producing countries to easily replicate the analysis? Which methods would you add?
- c.** Broadly, what key research questions are not addressed in the draft SOW? In particular, what critical findings would support the specialty chocolate market's sustainable development?
- d.** What information, research methodology, and industry parameters should the final SOW request to ensure the market study addresses known knowledge gaps?
- e.** What approach and/or mechanism might the final SOW include to ensure a high level of engagement from key stakeholders in the chocolate community and sustainable ownership of the study's actionable recommendations?
- f.** What do you believe would be essential skill sets within the team that ultimately researches and authors the study? What roles do you envision would be well-suited to this undertaking?
- g.** What information sources already exist? Provide recommendations that should be included in the literature review prior to starting the study.

Attachment B: Draft Request for Proposal (RFP) Statement of Work

1. **Design work plan.** Provide a list of activities to be carried out, timelines, team member(s), resources, and expected outcomes.
2. **Organize research.** Prepare the following elements in advance of collecting primary data:

2a. Establish Stakeholder and Outreach List. Identify and engage with a core group of stakeholders representing different interests (commodity chocolate, fine or flavor cocoa, Dominican producers and international importers, Dominican and international specialty chocolate makers, chocolate importers and retailers of Dominican bars or of bars using Dominican cocoa) for consultation and validation purposes. Design in detail the priority objectives and research questions, considering inputs from the stakeholders' core group, EQ Market Linkages Facilitator, and EQ Chief of Party (COP)

2b. Perform Desk Study. Identify data sources, review the literature, research available data and assess its reliability and usefulness. The EQ program can provide access to paid research studies as long as contractor demonstrates the relevance of the studies required for the assignment.

2c. Identify Knowledge Gaps. Categorize and prioritize information gaps identified after completing the desk study.

2d. Design Key Industry Parameters. Set and clearly define the parameters under which the contractor will research and author the study. Provide definitions and limitations for each parameter in order to mitigate the lack of industry definitions and standards in particular for specialty chocolate and fine or flavor cocoa. Differentiate between commodity certified, commodity non certified, specialty certified, specialty non certified cocoa.

2e. Design Samples and Prepare Data Collection Tools. Identify the techniques used and the objectives that each technique will achieve, define sample size and target population, identify key informants, design data collection tools. Market analysis is expected to look at commercial and fine chocolate dominating traditional developed markets, emerging markets, and regional markets for cocoa producing countries (e.g. Dominican Republic's

cocoa and locally produced chocolate in Dominican domestic and Caribbean markets; Mexico domestic markets that absorb surplus cocoa from their own domestic production and Guatemala). The research methodology used to analyze price transfer should be well documented, statistically significant, and should allow replication for any other cocoa producing country that wishes to carry out the analysis.

3. **Collect primary data.** Prepare, Collect, Process, and Analyze data. Ensure the methodic collection and processing of data for citation within the publicly-available final study. Complex data sheets require abstracts and the contractor will deliver these to the EQ program in an editable format. The contractor is expected to present a summary analysis of key research findings they expect to use in the study
4. **Develop Global Commodity and Specialty Cocoa and Cocoa Derivatives** (such as butter, powder, nibs, liquor, and chocolate) **Market Study.** Develop a comprehensive study in electronic copy for distribution online in English and Spanish to meet the objectives of this study. A description of the expected process is as follows:

4a. Develop Commodity and Specialty Cocoa and Cocoa Derivatives (such as butter, powder, nibs, liquor, and chocolate) **Market Study Outline.** The outline shall include headers, sub headers, and sub-sub headers and proposed annexes. At a minimum the outline should include the following sections: Executive summary; description of objectives; methodology; market analysis for commodity and specialty cocoa and cocoa derivatives (such as butter, powder, nibs, liquor, and chocolate) incorporating the results of price structure and profit margin analysis for the different marketing channels, and including actionable recommendations (specific content is described in **section 4b**); Develop a Dominican Republic Supply Case Study. Analyze the position of Dominican Supply relative to world demand for commodity and specialty cocoa beans and cocoa derivatives (such as butter, powder, nibs, liquor, and chocolate). Research on price structure and determine the value provided by each marketing channels to Dominican farmers, and give specific actionable recommendations (specific content is described in **section 4c**); annexes will include a comprehensive bibliography, survey forms and templates, and comprehensive datasets. Development of the outline shall take into consideration the need for the report to use high quality descriptive pictures and graphics, including interactive graphics for the report's online version.

4b. Part I. Develop Commodity and Specialty Cocoa and Cocoa

Derivatives Market Analysis. It should include i) trends and requirements of the commodity and specialty cocoa and cocoa derivatives (such as butter, powder, nibs, liquor, and chocolate) markets, ii) global market dynamics and price structure analysis, iii) and actionable recommendations

- i. *Analyze Market Trends and Requirements for Commodity and Specialty Cocoa and Cocoa Derivatives* (such as butter, powder, nibs, liquor, and chocolate). Provide industry background and historic overview with key terms, industry standards, and common definitions (specifically, for the small but growing specialty market); provide information regarding global cocoa and cocoa derivatives market size and relative size of the specialty market segment; estimate market growth and potential for growth; analyze market buyers among commodity and specialty cocoa and cocoa derivatives (such as butter, powder, nibs, liquor, and chocolate); analyze distribution channels, demand cycles and negotiation power dynamics. Determine approximate numbers of specialty and commodity brands, importers and retailers by geography and volume at origin and in consuming countries; analyze market requirements in terms of quality, flavor, consistency, certifications, sustainability, labelling and packaging, storytelling, ingredients, price, traceability, direct sourcing. Analyze markets available for surplus offloading, producer countries alternative local market relative to export market. Analyze immediate regional market for cocoa producing countries and synergies between neighboring market (i.e. Mexico and Guatemala). Analyze the impact of the COVID-19 pandemic on the industry for chocolate brands at origin and in consuming countries, focusing on both current realities and future pandemic mitigation efforts. Analyze market innovation and opportunities triggered by the pandemic that may influence future trends.

- ii. *Analyze Global Market Dynamics for Commodity and Specialty Cocoa and Cocoa Derivatives* (such as butter, powder, nibs, liquor, and chocolate). Analyze price structure throughout the cocoa global value chain. Identify whether farmers see a substantial difference in revenues between selling specialty (certified or not) and commodity (certified or not) cocoa and cocoa derivatives, and whether profit margins justify the additional work required to

produce specialty/certified cocoa and cocoa derivatives. Determine what marketing channels offer the higher value to farmers.

Per the requirements below, analyze market drivers and restraints (“push and pull factors”) that drive or impede market expansion for commodity and specialty cocoa and cocoa derivatives.

Market push: Among other considerations as identified through the desk study, specifically analyze the promotional and consumer/retail education efforts from the commodity and specialty industry players (chocolate makers, cocoa producers, influencers, industry associations, and retailers). Identify what is effective and what is not, what may replicate from other industries (e.g. wine, coffee, tea). Analyze to what extent festivals and chocolate award schemes drive market expansion for specialty cocoa and cocoa derivatives. Analyze specific push conditions of COVID-19.

Market pull: Among other considerations as identified through the desk study, specifically consider wholesale commodity and specialty bean and cocoa derivatives buying trends (i.e. geographic zones, bean flavor profiling, classifications, etc.), consumer trends, areas of growth, social enterprise or other demands unique to specialty chocolate participation. Analyze the niche specialty chocolate market and the convergence with bulk commercial markets selling in greater volume with wider retail footprint and lower pricing. Analyze specific pull conditions of COVID-19.

The contractor should include examples and analysis of growth trends and investments related to market push and pull elements, including technical aspects such as elasticity of demand for both market segments.

Contractor should analyze competition for commodity and specialty cocoa and cocoa derivatives through Porter’s five forces model. Carry out a SWOT analysis and analyze with a stakeholders’ core group how the key challenges to the specialty industry could be overcome, i.e.:

- Lack of industry standards and definitions;
- Market saturation due to growing offer and limited demand;
- Discouraging profit margins and difficulties creating profitable specialty chocolate businesses;

- Lack of evidence-based sustainability claims and extent to which the sector is/tend to be transformative of the supply chain;
 - Growing competition from big manufacturers and uncertainties about the capacity of the sector to differentiate and develop a better value proposition;
 - Lack of consumer education.
- iii. *Actionable Recommendations.* Building upon the market study, recommend on which global marketing channels offer more sustainable approaches to cocoa sourcing, higher opportunities for growth and higher profit margins to farmers.

4c. Part II. Develop a Dominican Republic Supply Case Study. Analyze the position of the Dominican Republic supply relative to world demand. Analyze price structure using primary research and draw actionable recommendations

- i. Analyze the position of the Dominican Republic Supply relative to world, regional and local demand for commodity and specialty cocoa and cocoa derivatives (such as butter, powder, nibs, liquor, and chocolate). Identify untapped market opportunities. The DR celebrated in 2020 the first Dominican Chocolate competition to which international retailers participated as official jury members. Interviews should be carried out to understand global quality of Dominican chocolate and its potential for export.
- ii. Analyze value provided by the different marketing channels to farmers. Analyze price structure and profit margins throughout the value chain (producer, packinghouse, exporter, importer, chocolate maker, retail) for commodity and specialty cocoa and cocoa derivatives (such as butter, powder, nibs, liquor, and chocolate) made in the Dominican Republic and in countries that consume Dominican commodity and fine or flavor cocoa. Contractor should collect primary data and draw results from a statistically significant sample size. Identify whether farmers see a substantial difference in revenues between selling specialty (certified or not) and commodity (certified or not) cocoa, and whether profit margins justify the additional work required to produce specialty/certified cocoa. Analyze other types of benefits that producers might receive.

The outcome should provide evidence-based information to be used by farmers/producers regarding the benefits of supplying the different markets, and should provide evidence-based information to Dominican and international chocolate makers using Dominican cocoa beans on their impacts on farm-gate prices and other types of benefits given to farmers so as to support industry sustainability claims.

Exporting Quality will provide support to identify and survey targeted farmers groups. The research methodology used to analyze price structure and profit margins should be well documented and should allow replication for any other cocoa producing country that wish to carry out the analysis.

Actionable Recommendations. Building upon the results from the primary research, offer recommendations to address key challenges that currently prevent stakeholders to fully lead the way towards a more sustainable approach to cocoa sourcing.

5. Presentation of the Commodity and Specialty Cocoa and cocoa derivatives Market Study and Recommendations. Submit draft report as a written document, presented via video conference with stakeholders for the purpose of collecting feedback. Develop an online version of the report. Refine the draft with stakeholder feedback. Submit the final electronic version of the report to the EQ program for publication.