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IMPORTATION OF COCOA BEANS FROM GHANA TO FINLAND

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ABSTRACT

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There are many ways in which companies go about their importation processes. The identification of the need for a selection of the rightful supplier for these needs is a hurdle for many foreign companies that have the potential to venture abroad. For these and other reasons, Ghana, which is second best in the production of cocoa beans in the world has not made any significant entry into the Finnish market.

The thesis aimed to find out the problem(s) restricting the move by studying and describing the international importation or buying process of cocoa beans from a third-world country to the European Union. From the research questions and the interviews conducted, this thesis outlines the background of the companies and the emphasis on the importation of the goods.

The background historical event of the commodity good is described together with relevant issues it has generated over the years and its current standards in the assuming chapters that follows. The chapters handle in the description of the import process, starting with the supplier's selection, followed by the transportation mode, the payment as well as the delivery terms, and lastly, the customs aspect is also dealt with.

The empirical part of the thesis gives effective and detailed guidelines for companies and individuals who might be interested in importing cocoa beans from Ghana to Finland. The chapter gives a detailed account which will enable a buyer to understand what the importation of cocoa entails and the requirements and procedures required for the importation process as well as expose him or her to the main difficulties associated with the importation process as a unit.

Keywords
Cocoa bean, cocoa buying process, commodity exchange, export, fair trade, Finland, Ghana.

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1 INTRODUCTION

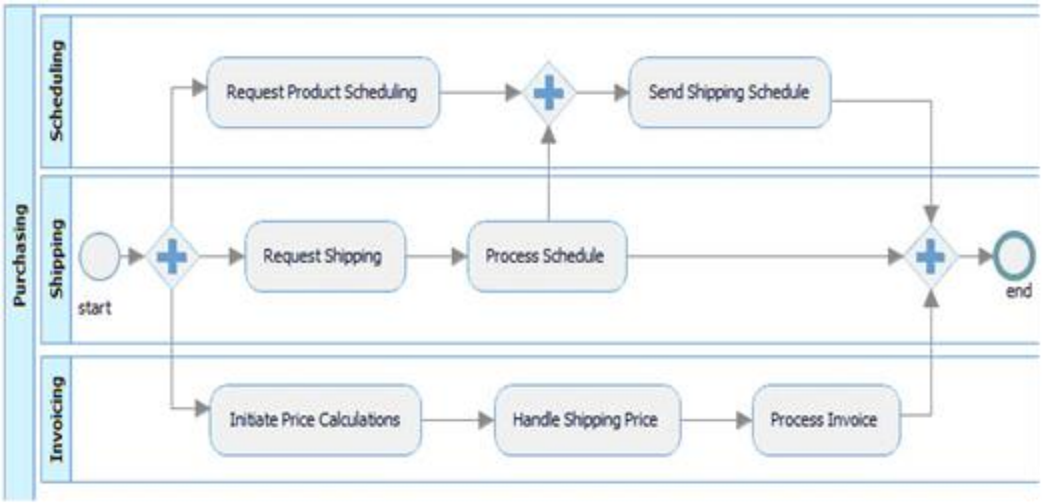
The core idea behind this thesis is to study, comprehend and fully give a detailed description of the international importation process from a non-European country (Ghana) to Finland which is part of the European Union. Also, another objective we seek to find is to give instructions, guides and procedures to Finnish companies who will be interested and willing to go through the process of importing cocoa beans from Ghana to Finland soon. Several recognized Finnish brands are known to produce cocoa. Examples of such brands are Fazer Oy, Brunberg Oy and Panda Oy. Despite the rich premium cocoa beans Ghana is endowed with, almost all these above-mentioned Finnish companies quite import a small amount whereas the bulk of their raw material which is cocoa beans are imported from Ivory Coast, Indonesia, Costa Rica, and Brazil.

Ghana is known to be the second leading producer and exporter of Cocoa beans in the whole world, it has registered an annual minimum cocoa bean output of 700,000 metric tons since 2012. For instance, the 2020/2021 crop season recorded an estimated 1.1 million metric tons in cocoa beans production (Sasu 2022.) As students with Ghanaian backgrounds, we seek to identify and implement a strategy to help in clarifying Finnish companies do not import cocoa from Ghana. This is hoped to be achieved by giving more insight into the importation process from the Ghanaian point of view to the Finnish companies. Finally, in today’s dynamic and evolving business world, professionals and individuals are constantly looking out for persons who are business driven, enthusiastic about attaining and accomplishing results, and who have a thorough understanding of how this process works from the perspective of their clientele.

Besides studying, understanding, and documenting the international trade in goods from Ghana to Finland, a member of the European Union, this thesis' primary goal is to give direction to Finnish firms which may be planning on importing cocoa beans from Ghana in the future is an additional field of focus that is particularly important.   The commodity market will also be of interest considering cocoa beans are traded on global markets in the same method that coffee, sugar, and other minerals are.

This thesis is asking the following research questions, what is the importation process of cocoa beans from Ghana to Finland? Is there any special specification for the raw material (cocoa beans)? And lastly, what are the various flows linked to this importation process (Financial as well as material terms)?

As we previously stated, this is going to be a challenging topic to deal with when working under time constraints and reviewing many kinds of materials to carry out the assigned duties. We believe that the dedication and commitment remain worthwhile since there is an ongoing demand amongst professionals to attract people who are inspired focused on goals and have insight into how this process works from the viewpoint of the customer.



PICTURE 1: Conceptual framework, adapted from IBM.

The first phase in understanding any importing process for any good is to research the method in question. This conceptual framework's primary goal is to reflect the crucial phases in the importation process to fulfil this thesis has set for itself. We will go into detail about every step of this procedure, from the product's specification through delivery and receipt acknowledgement. Furthermore, the whole environment of customs, the trade documentation will be given priority consideration. Though the market study, distribution and marketing are represented in the above, for this thesis, the two will be left out.

2 COCOA BEANS AS A RAW MATERIAL

Theobroma is a genus of very small trees that includes the cocoa tree and is found in the wild in the Amazon and other tropical regions of South and Central America. Theobroma cacao, one of the more than twenty species in the genus, is the only one that can be harvested extensively. In Central America, several thousand years ago, there was the discovery of cocoa beans from the Theobroma cacao which was a named cocoa tree. This was widely cultivated. The cocoa bean is the essential ingredient for chocolate and other forms of products ranging from pharmaceutical products to anything worth its inclusion. (Lass & Wood 2008, 1-4.) Three distinct kinds of cocoa plants have been discovered in our globe now after years of the domestication process. The first is the Forastero, which accounts for 90% of all cocoa beans generated globally. Brazil and West Africa are where this species is primarily found.
The Trinitario, a hybrid between the Criollo and the Forastero, is the third variety and is well-known for its fine and flavourful beans. (UNCTAD 2010.)

2.1The importance of cocoa beans to Europe

Who became the first person to introduce cocoa beans to Europe is still a matter of debate. Some believe that after seeing America in 1952, Christopher Columbus did so. Another school of thought claims that it was Hernán Cortés who did it in 1519 upon his comeback to Spain after his journey to the Aztec Empire. Regardless matter who brought it or how it was not at first welcomed since it was not sweet as it was in its natural state.

According to Lass & Wood (2008, 1-4) the first chocolate was produced by the Aztecs and the Mayas with roasted cocoa beans. Until the 17th century, cocoa bean was considered a luxury product and was only affordable to the rich people. (Barrientos & Soria 2014.)

The importation of cocoa beans has evolved tremendously over the period. References can be made to the increased of the importation by Great Britain in the 1820s. Another significant chapter of the cocoa bean’s worth mentioning is how in 1828, Van Houten found a way to extract butter from the cocoa which prepared the chocolate less fatty and more digestible. (Lass & Wood 2008, 5.)

Country	Production (000 tonnes)			
	1850	1900	1940	1980
Brazil	3.5	18	131	349
Colombia	–	3	12	39
Ecuador	5.5	23	14	81
Mexico	–	1	2	30
Venezuela	5.4	9	17	14
Dominican Republic	–	7	20	32
Grenada	–	5	3	3
Trinidad	1.7	12	8	2
Cameroon	–	1	23	120
Equatorial Guinea	–	1	13	8
Ghana	–	1	241	258
Ivory Coast	–	–	43	403
Nigeria	–	17	103	155
São Tomé	–		5	8
Malaysia	–	–	–	43
Papua New Guinea	–	–	–	28
Others	1.9	17	37	91
World total	18	115	672	1,664

Picture 2: Growth of cocoa production 1850-1980 (Lass & Wood 2008, 545.)

As seen from the table above, cocoa bean production keeps rising since 1850. It is seen also that the most percentage rise was between 1940 and 1980 representing 148%. Furthermore, production was concentrated in both the Americas and the Caribbean initially but rapidly spread throughout the continents notably Africa.

2.1.1 Beans quality and use

The cocoa beans can be grouped into two main varieties. The basic cocoa or the bulk is one and the fine and flavoured cocoa represents the second group. Mostly the bulk is found in Africa and Brazil, and they represent 90% of the globe's cocoa production. 5% of the entire production is made up of the second category, which is fine and flavourful cocoa with its distinctive scent. Mostly cocoa is known to produce candies and drinks. But it will be interesting to know that cocoa beans are utilized in a variety of products that we might not even take into consideration because of its industrial use such as pharmaceutical products (as capsules for some special drugs) its usefulness continues to remain in the dark. For instance, cocoa is used in the manufacturing of tobacco. It is used also in soap and cosmetics because of its resistance to rancidity (UNCTAD 2010.)

2.1.2 Producers and consumers of cocoa

The crop output in the two-leading cocoa-producing countries in the world, Ghana, and Côte d'Ivoire, is greater halfway through the 2022–2023 main crop than it was during the same period the previous season. As of January 8, 2023, 1.346 million tonnes of cocoa beans have arrived at the export ports of Côte d'Ivoire, an increase of 11.6% from the previous year. But during the first two months of the 2022–2023 cocoa year, the nation's exports of cocoa beans fell short of expectations by 47% on an annual basis, from 186,842 tonnes to 99,950 tonnes. The decrease in cocoa bean shipments during that period was partly caused by the carriers' November 2022 strike action at the port of San Pedro. As of December 15, 2022, 350,000 tonnes of graded and sealed cocoa beans had been purchased in Ghana for the 2022–2023 crop year, a 76% increase over the 199,000 tonnes acquired at the same period the previous season. Even while the leading producers' arrivals and purchases indicate sufficient supply, as of the writing of this article, the lack of rain aroused concerns about the potential negative impact of the dry weather on the prognosis for the April–September mid-crop (International Cocoa Organisation 2022.)

2.2 Cocoa trade and the world cocoa market

History has it that, cocoa beans became more profound in the 16th century. Apart from its use as a food recipe, locals at the time traded with it because it was easy to count. This describes how it began being used as currency in the middle of the sixteenth century. Notably the trading of cocoa at the time as a currency is dated back as far as 1526 when in Nicaragua everything is bought with cocoa. Irrespective of how expensive the item may cost; cocoa was the medium of trading. (Lass & Wood 2008 chapter 1)

2.2.1 Physical market, future, and options markets

Like any other product which is traded in the commodity market, cocoa is also traded as such. As explained by Sibun & Wallop (2010), the prices of any commodity can be determined by two parameters. These consist of the actual market (Physical) or futures (terminal) markets. A physical market can be termed as a place where the commodity (cocoa) is exchanged for money and distributed immediately. On the other hand, a terminal market is one whereby futures contracts and cocoa are sold. This often happens in a recognized trading centre in any part of the world (European Derivatives Markets (London, Amsterdam, and Brussels) or the United States Derivatives Markets). (Sibun & Wallop 2010.)

Unlike other commodities, cocoa can only be traded in two places as a future contract. These two places are the ICE Futures US (Intercontinental Exchanges New York) and the NYSE LIFFE Futures and Options (New York Stock Exchange, London International Financial Futures and Options Exchange London). In the ICE, cocoa is denoted by the letters CC. It is traded in US dollars per metric ton and the contract size should not be below 10 metric tons. Under the NYSE LIFFE, cocoa is symbolized as C with the same contract size but quoted this time in pounds sterling per ton (Intercontinental Exchange 2012.)

These two markets often serve as a platform in which buyers and their selling partners converge to transact, and exchange in a common or free but fair and dynamic business condition. This platform is known in the business cycle as a clearing house. Is in the clearing house in which all bids and offers are placed. In other words, the clearing house acts as a purchaser for all vendors, and at the same time as a vendor for every customer. As a rule, governing the clearing house, a broker must deposit an initial margin. This is the requisite minimum amount accepted. This should be corresponding to 2-10 % of the total deal’s worth for the commodity. It serves as a surety to the contract terms (International cocoa organization 2015.) It is worth mentioning that this is not the only way to trade cocoa. Though there are other options, the risk factor is too high which makes the above the haven for the trading of this precious commodity.

There are two main classified categories of the parties involved in the futures or options contract for cocoa. This classification comes from the Commodity Futures Trading Commission (CFTC) which is the parent body for this kind of trading activity. These two categories are the commercial traders otherwise called the hedgers and the non-commercial trader often refer to as the speculators. By induction transactions in the future market, the commercial trader seeks to maxim the losses in the cash market. Alternatively, the speculators risk their funds on the trading floors in the hope that there will be a favourable price fluctuation. Additionally, venture capitalists and institutional forecasters (hedge funds) bet on the cost of cocoa using future markets. Hedge fund administrators and analysts, whose operations are what cause temporary turbulence, are having a significant effect on cocoa futures costs, following the World Cocoa Foundation. (International Cocoa Organization 2015.)

2.2.2 Forces behind the market change and price fluctuations

The pull and push in demand for a commodity often result in increasing or otherwise decreasing the price level of such a commodity. The same assumption also holds for cocoa pricing. (International cocoa organization 2015.) The faster the rate a commodity is used the more likely that its price with also increase. Furthermore, all prices for food connected to this commodity in demand will also increase. This is not to say that the demand for commodities for consumption is a factor which influences the commodity price.

As cocoa is mainly traded with the dollar, buyers, and sellers of the commodity around the world always do their best to hedge the prices against the dollar. In other words, commodity prices often than not move in an unsustainable direction: when there is an increase in inflation there is always the tendency that. Prices of cocoa will also increase. Another very important factor is speculating. Often, commodity speculation consists solely of placing bets against the direction of the currency(dollar). Cocoa prices are very volatile and influenced by a wide range of factors. They reached a 37-year low (1,775/ton) in New York in March 2015 and a 46-year high (4,436,538/ton) in May 2021(International cocoa organization 2020.)

Current high prices are strongly affected by production deficits in three of the last four seasons (2015/2016, 2017/2018, 2019/2020) and disruption of cocoa exports following the disputed presidential election in the Ivory Coast, in November 2010. Longer-term price trends are affected by changes in supply and demand; the ratio between stocks and grindings (a falling stocks-to-grindings ratio pushes prices up and vice versa) and corporate acquisition and disinvestment in the cocoa trade and processing industry. Shorter-term influence on prices includes favourable weather conditions (good crop, fall in prices); periods of extreme wet or dry weather, crop disease, pest infestation or poor crop maintenance (poor crop, increase in prices); cost and availability of pesticides and fertilizers; producers withholding stocks in the expectation of higher prices; political instability in producing countries and speculative trading on futures markets. Given the contributing factors, the ICCO is on the lookout in the market as it constantly follows and analyses the latest fad revolving around cocoa beans. once every four months, the organization makes recommendations and implements an action based on the market development. The ICCO is responsible for quoting the daily prices for cocoa beans (International cocoa organization 2020.)

2.3 The effect of the production environment in Africa

The weather patterns and unstable politics of the Ivory Coast, the largest producer of cocoa in the world, can have a significant influence on the global dark chocolate business. For example, in 2000, great climate conditions resulted in a plentiful supply and tremendous worldwide supplies, leading to prices decline to a 27-year low of 714 per ton. A botched coup two years later triggered a civil war. Costs increased to a 16-year high of 2,335 because of worries about the interruption to the cocoa supply. Again in 2010, when the country's ongoing power struggle resulted in an export embargo, the shocking outcome saw roughly 500,000 tons of cocoa arrive at the port. This pushed cocoa prices to a 32-year high of 3,775 a ton. As the tension in the country cooled off and business came back on track in 2011, prices fell sharply to 3000 by August 2011 to 3,000 a drop of 20% (International cocoa organization 2020.)

Like the Ivory Coast, most developing countries in Africa have their economy fixed on primary products. Because of this any unpredicted demand changes in the industrialized countries could spell doom for such countries. Again, as the economic, political, and social structures are not mostly stable, any shift will have a dramatic effect on the country as well. (International Cocoa Organization 2015.)

2.3.1 Child labour in cocoa production

Child labour can be described as any kind of work that strips children of their youthfulness, their potential for achievement, and their self-worth and which is detrimental to both their physical and mental development. In 2004, the United States department of State estimated that 109,000 children in the Ivory Coast cocoa industry worked under the worst forms of child labour, mainly on family farms and that up to 10,000 were victims of human trafficking or enslavement. A recent report says that boys from Ghana, Mali and Burkina Faso continue to be trafficked for forced labour on agriculture plantations including cocoa farms. Child labour remains widespread in the cocoa sector with a quarter of children between 5 and 17 living in cocoa-growing regions involved in its production, mainly on family farms or working with parents (ILO-UNICEF 2020, 1.)

Most of these children are exposed to hazardous conditions such as using dangerous tools (94%) and carrying heavy loads (80%) with 51 per cent reporting injuries while at work. In 2001, the Harkin-Engel protocol – a commitment by the cocoa and chocolate industry to promote voluntary standards to help eliminate child labour has played some role in driving more engagement with this issue but has been insufficient in transforming the overall picture. Labour practices are issues taken seriously by various stake holders. Countries have even allied to fight this cancer. National initiatives have been carried out by the governing bodies of Ghana and Ivory Coast to implement the law and safeguard the children who fall victim to these heinous deeds (Barry-Callebaut 2018, 32-34)

2.3.2 Ghana and cocoa smuggling

Over the past decade, the issue of cocoa smuggling has not been a problem to Ghana but also the world's biggest producer of cocoa (Ivory Coast). As Ivorian farmers are making use of the greater selling prices in Ghana, it is anticipated that since June 26th, 2022, smugglers have trafficked roughly 80,000 tons of Ivorian cocoa beans into Ghana. Due to a wave of export contract breaches and declining global prices, the world's top producer, Ivory Coast, opted to decrease its guaranteed farmer price by 36% to 700 CFA Francs ($1.19) per kilogram at the beginning of April to September mid-crop, which has led to an increase in smuggling (Reuter 2011).

Over the last ten years, Ivorian beans have been increasingly being smuggled because of sector deregulation and lengthy political turmoil. According to industry estimates, the Ghanaian port was used to unlawfully transport up to 200,000 tons of Ivorian cocoa during the 2010–2011 season. Ghana, the second-biggest producer of cocoa in the world, retained its farmgate price at $1.914 per ton, which led to a price difference of more than $700 per ton, which the exporters said was a factor in the increase in cross-border smuggling. There is an ongoing top-level discussion between the two countries about ways to combat this menace, experts in the business say the illegal trafficking have caused both countries more than about 20 million dollars. (Reuter 2011.)

2.4 Fairtrade

Fairtrade is an alternative to traditional commerce that focuses on fostering relationships between manufacturers and customers. Fairtrade offers growers a better bargain and better trading conditions. As a result, the farmers can raise their level of life and make greater preparations for the future. Even though there was a fair-trade movement in the 1960s, it took until the 1980s for the first fair-trade label to exist. (Fairtrade International 2016.)

The Dutch development organization Soldiered undertook the initiative to establish the first Fairtrade label, Max Havelaar. After a fictitious Dutch figure who resisted the exploitation of coffee employees in the Dutch colonies, it was given the name Max Havelaar. At first, Fairtrade was only concerned with coffee products, but this quickly got up with other products like cocoa, tea, and banana.
Max Havelaar (in Belgium, Switzerland, Denmark, Norway, and France), Trans fair (in Germany, Austria, Luxemburg, Italy, the United States, Canada, and Japan), Fairtrade Mark (in the UK and Ireland), Rättvisemärkt (in Sweden), and ReiluKauppa (in Finland) had been a few of the markets around the world in which the MAX Havelaar initiative was carried out in the late 1980s and early 1990s.
To unify labelling activities under a single organization and standardize global standards and certification, Fairtrade Labelling Organizations International (FLO) was formed in Bonn, Germany in 1997 (Fairtrade International 2017.)

To foster and offer improved services, the Fairtrade Labelling Organization International (FLO) has passed through several phases. The worldwide FAIRTRADE Certification Mark is introduced by Fairtrade worldwide in 2002. The launch's objectives consisted of improving Mark's visibility on grocery store shelves, facilitating cross-border commerce, and streamlining the export process for both producers and exporters. Members of the FLO Board of Directors are producers.

In 2004, Fairtrade International split into two independent organizations: FLO, which sets Fairtrade standards and provides producer support, and FLO-CERT, which inspects and certifies producer organizations and audits traders. The last update of this organization was done on 30th September 2020.

As one out of seven organizations that have attained the highest standards of defining ethical commerce, Fairtrade International is recognized by ISEAL. Sales climbed by 47% on a global scale. Producers join FLO as full members and co-owners. (Fairtrade International 2016.)

PICTURE 3: Producer countries and countries where Fairtrade products are sold (Fairtrade International 2016.)

The Fairtrade lowest price for conventional cocoa beans is around USD 2000 per metric ton (FOB, Free on Board) from January 1 through April 1, 2012, whereas the Premium costs about USD 200. The above rates relate to all SPOs (Small-scale Producers Organizations) and are applicable across the world's length and depth. (Fairtrade International 2016.)

2.5 The ICCO

A worldwide organization, the International Cocoa Organization (ICCO) is a body made up of member nations which both produce and consume cocoa. To put into effect, the first International Cocoa Agreement, which was negotiated in Geneva at a United Nations International Cocoa Conference, ICCO, with headquarters in London, was founded in 1973. Since that time, seven Agreements have been executed made. In October 2012, the interim implementation of the Seventh International Cocoa Agreement, which was agreed in Geneva in 2010, became operational (International cocoa organization 2015.) The three major goals of the International Cocoa Organization are as follows. These goals involve developing a long-term sustainable global cocoa economy, locating the Consultative Board on the Global Cocoa Economy, as well as encouraging open markets.

Following the sustainable world cocoa economy, the ICCO serves as a centre to solve pressing problems in the global cocoa industry in partnership with governments and the corporate sector. These concern the usage of food-grade jute bags, the presence of ochratoxin A in cocoa, the worst occurrences of child labour, and the allowed quantities of pesticide residue. Seven members from member countries that produce cocoa and seven members from member countries that consume cocoa make up the Consultative Board, which is composed of fourteen worldwide specialists in the cocoa industry from the business sector. While the Board's remit is as broad as the International Cocoa Council's and encompasses every area of the global cocoa sector, it only serves in an encouraging role given that the International Cocoa Council makes all final decisions. The Consultative Board was established in acknowledgement of the role that commerce and industry have been playing in ICCO as well as the vitality of the private sector in the global cocoa economy (International Cocoa Organization 2022.)

For more than 30 years, the ICCO has placed importance on market openness. It is important for the effective operation of the global cocoa market, decreasing pricing swings, maximizing choices made by all market competitors, and boosting the earnings of small cocoa manufacturers. The gathering, processing, and publication of cocoa statistics (production, pricing, inventories, consumption, etc.) have been one of the ICCO's main operations in this field since its founding in 1973. The most reliable source of cocoa statistics worldwide is the ICCO's Quarterly Bulletin of Cocoa Statistics. Finland is a participant in the global cocoa industry (International Cocoa Organization, 2022.)

3 COCOA STANDARDS

The Model Ordinance and the Code of practice as stated clear by the Food and Agricultural Organization of the United Nations are the set standards for the trading and importation of cocoa beans around the world. Regardless of these rules or principles, there are also other restrictions and inscriptions when trading or importing into different continents like for example Europe as they also have their set of rules alongside what the FAO has already given. (Food and Agricultural Organization of the United Nations 2016.)

3.1 Model ordinance definition

Theobroma cacao Linnaeus's cocoa tree produces seeds, and the word "cocoa seed" applies to the entire dissolved and drained seed for economic and legal purposes.
Broken bean: a cocoa bean with a lacking piece, a fraction of the total bean is represented by the absent piece.
Fragment: a portion of cocoa equivalent or even a fraction of the whole beans.
Piece of shell: only a portion that makes up the shell; no kernel.
Adulteration: Any method of altering the processed cocoa's formulation to ensure the blend or compound produced does not meet the requirements of the required level, charmingly affecting the flavour or value, or changing its overall size or volume.
Flat bean: a cocoa bean whose roots are simply too delicate to be removed generating an outer layer of the roots.
Foreign matter: everything besides the cocoa bean itself, fractured beans, parts, and husk bits.
Germinated bean: the cocoa bean that has had the seed embryo develop through the shell, causing it to become punctured, split, or fractured.
Insect-damaged bean: The inside cocoa bean that has been discovered to have microbes in it at any point of growth or to have evident, to the unaided eye, symptoms of harm resulting from microbes. (Food and Agricultural Organization of the United Nations 2016.)

3.2 Cocoa marketability, grading, and packaging

Cocoa beans can only become marketable or tradeable when they have been brewed, dried effectively, rid of fumes, and mostly rid of all kinds of microbes. There are two grades as far as cocoa bean standards are concerned. Upon the submission of the cocoa beans, they are graded according to the bad beans in an inspection sample. The beans which could not be cut are referred to as 'sub- standard cocoa’ and they are labelled as SS. Though they were unable to meet the cut, they are marketable in some unusual cases. Those graded are secured in clean bags displaying the nation of origin, the level or sometimes SS and further recognition as required by the nation of interest. All cocoa beans regardless of the grade are subject to recheck at the dock within a week. (Lass & Wood 2008, 602-604)

3.3 Checking the quality of cocoa

By sampling, the cocoa's quality is examined. A sizable portion of the bags are randomly chosen by the sampler for examination, and a lot of beans are then extracted out of those bags using a sharp knife. Alternatively, if the cocoa is purchased in massive quantities, samples are sporadically obtained from the beans as they are being poured into containers or laid out on canvas. As for the number of beans or quantities to be inspected, various government agencies might establish various thresholds. For each ton of cocoa, the International Standards Organization advises using at least 300 beans as samples. Samples of massive quantities of cocoa must include at least 5 portions for each ton and samples of bagged cocoa must be obtained from at least 30% of the bags (International Standard Organisation 2017.)

Utilizing the cut examination, the samples are examined. The regulatory bodies of many exporting nations, as well as typical real cocoa deals, establish requirements based on the World Trade Organization's requirements cut examination. With the help of the cut examination, examiners can evaluate the beans and deduce specific qualities of the cocoa, which determine the product's worth. 300 beans are subtracted from the total for the cut examination. After that, the core of these 300 beans is cut longitudinally and analysed. The number of beans that are destroyed due to mould, slackness, infestations, germination, or flatness is counted separately. The proportion of the 300 beans analysed for each type of fault is used to represent the findings. Producers can determine the flavour qualities of the beans by looking at how many damaged beans the cut examination uncovered (International Standard Organisation 2017.)

Although there is no standard for bean size around the world, manufacturers frequently utilize bean counts as an additional indicator of value. The subsequent technique for counting beans is specified by the Federation of Cocoa Commerce: The number of beans for every 100 grams will be determined by counting a sample of no less than 600 grams of whole beans, regardless of size but excluding flattened beans. Chocolate producers and cocoa refineries do additional examinations, especially for beans from countries that are uneven in standard or susceptible to unpleasant flavours. Because it is impossible for the producer to remove every damaged bean, it must guarantee exacting standards during the selecting process. Due to the significant inherent variation present in each lot, producing cocoa mass using a single origin of cocoa beans is not possible to attain a consistently high standard. By keeping a variety of varieties and a large quantity of beans that are of recognized value on hand and blending them appropriately, the variances can be minimized. To yield the greatest possible outcome, thorough supervision over the roasting and alkalizing procedures is also necessary. Both the output of the nib and the volume of cocoa butter contained in the nib are crucial factors for the producer of chocolates. A smaller amount will need to be put further down the production procedure if there are greater amounts of cocoa butter. Nib outputs are calculated in a laboratory setting (International Standard Organisation 2017.)

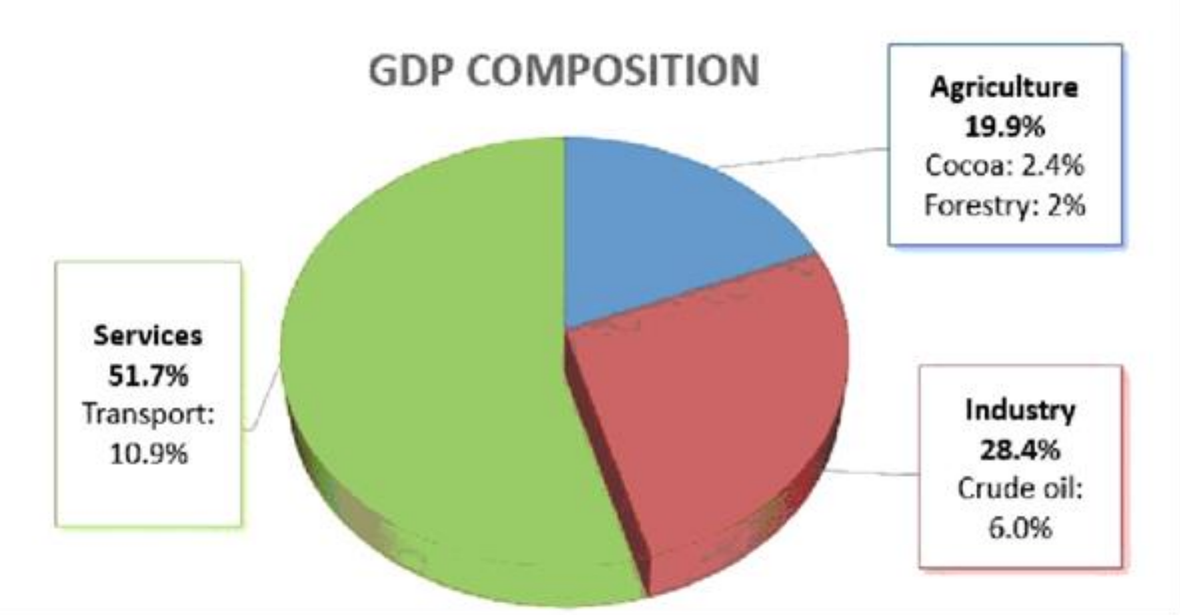
Producers of chocolate also value flavour. The evaluation of flavours is typically done by committees of five to 10 skilled tasters. You may easily identify off flavours by tasting roasted, ground cocoa nibs raw, or you can prepare a simple dark chocolate drink by combining them with sugar and water. Processing is unable to rid of strong sourness or musty, smokes off flavours. By neutralizing acidic flavours, processing can change their flavour. Unrefined cocoa butter can be extracted from subpar beans by pressing them completely. To create clean squeezed cocoa butter and cocoa crush cake (that eventually produces cocoa powder), higher-grade beans are purged before crushing. Regarding the superiority of cocoa butter, chocolate-making companies possess certain specifications, including toughness, disintegrating, and solidification characteristics. The International Standards Organization (ISO) gives a specification for cocoa beans. Cocoa trade associations and government agencies create standards or evaluations for cocoa beans encompassing the bean count per 100g and the proportion of acceptable defects, humidity, and foreign materials (Food and Agriculture Organization - Model Ordinance International Standards Organization - ISO 2451.)

3.4 Ghana and cocoa beans

Ghanaian cocoa is considered one of the finest in the world. Every bit of Ghana's cocoa production is carried out on 4- to 5-acre tiny farms. When a Ghanaian called Tetteh Quarshie carried some cocoa pods to Ghana from Equatorial Guinea in 1876, cocoa made its way to Ghana. On his farm in Ghana, Tetteh Quarshie skilfully grew many seedlings of the bean species. Tetteh received support from British colonial ruler Sir William B. Griffith. Griffith established a nursery for plants and provided farmers with seedlings. Ghana began to develop cocoa in the 1900s. In 1893, the first export of cocoa coming from the Gold Coast was officially recorded. Ghana was the top supplier of cocoa by 1911, serving the expanding European chocolate industry (Yahaya, Karl, & Gül, 2015, 337-338.)

3.5 Performance of the sectors

Agriculture has been the backbone of Ghana’s economy since independence and Cocoa beans cultivation and trading have over the years helped in shaping and putting our economy into check. Agriculture through its impact on the financial condition of the nation in the form of foreign exchange earnings, government revenues, job creation, poverty alleviation/reduction, and the provision of growth initiatives and social services to farmers, the cocoa industry has served as the foundation of the Ghanaian economy. As in PICTURE 4 below, agriculture contributes around 19.9% of the country's earnings from exports, which make up about 19.71% of the country's GDP. The main contribution to these earnings, accounting for up to 75% of them, is cocoa. Over two million people are employed directly by the cocoa industry (as farmers, farm labourers, etc.), while over three million more are employed indirectly (as industry support) (Marcu, Belis, Stoef, Tuokko 2015, 1-2.)



PICTURE 1: Ghana Statistical Service Marcu *et al*., 2015

There are several governmental programs within the country like mass cocoa spraying exercises free of charge for the farmers to help increase cocoa production. In addition to this, there are also agricultural serviceable loans for the farmers to make it easy to purchase other essential equipment which might help them to produce more. Within the sub-region of West Africa, the government together with three other heads of state namely Cameroon, Nigeria, and Ivory Coast in 2001 agreed to destroy 250,000 tons of cocoa beans as a way of maximizing the market price of the cocoa beans.
(USDA Foreign Agricultural Service 2015, 5-6.)

3.6 European union regulations on cocoa

When it comes to coordinating food legislation, the European Union has two different strategies. A vertical law on items like cocoa, sugar, and honey and a horizontal law encompassing features that are like every kind of food (Guehi, Dingkuhn, Cros, Fourny, Moulin, & Vidal 2016, 1-2.)

3.6.1 The 73/241/EEC Directive

The EU directive 73/241/EEC governs cocoa and chocolate-based goods. It was presented in 1973. The task was to oversee the item's positioning, assembly, packing, and naming to make sure They might enter different countries without restriction. The most recent change, which was made in 2016, permits additional replacements, among others. It had a significant effect on the manufacturers, exporting nations, and consumers (Guehi *et al* 2016, 1-2).

3.6.2 Marking and labelling of cocoa beans

There is very essential information which should be visible on any packaged cocoa beans which are marked to be exported or traded within or outside the shores of the country of origin. The writing should be distinct, obvious, readable, and ultimately unforgettable. Additionally, a list of the components used ought to be presented in descending order of weight, the brand name for which the goods are sold should be displayed, and the date of expiration, the net volume of the already packaged in metric tons or metric grams, and any important details on the usage or storage requirements should also be known. Also, the business name or the identity of the packer, an identifying mark to which the product belongs (for example, since cocoa is represented internationally by the mark CC) and the country of origin should clearly be labelled (Guehi *et al* 2016, 1-2).

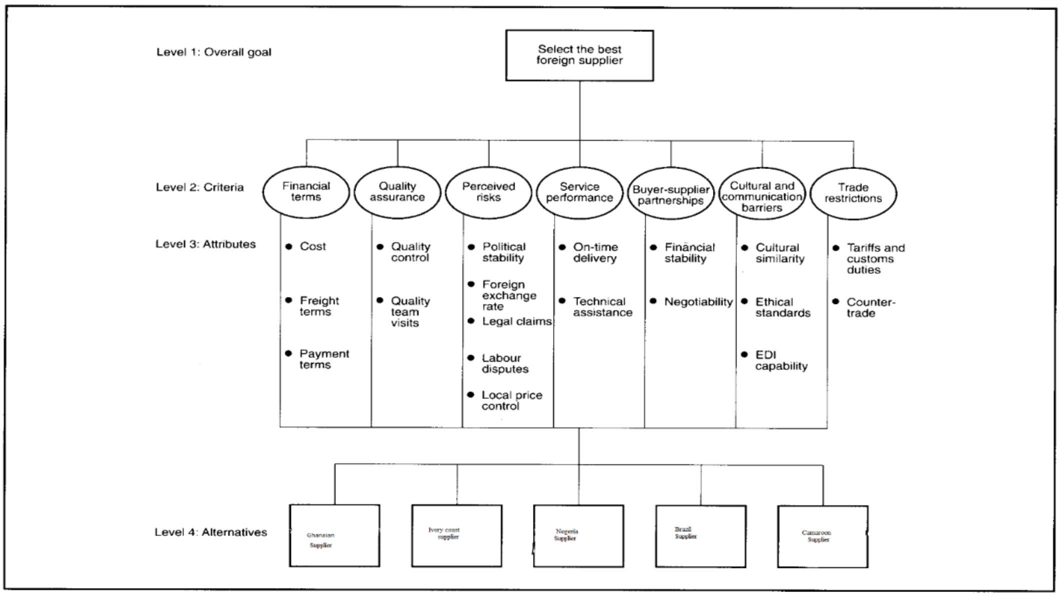
Depending on the country of intended export, the official language of the said country should be used. This is because the EU authorizes multi-language labelling. For this thesis, since the intended country is Finland, the languages which should be used are both Finnish and Swedish since these two are the languages used in Finland. Under the directive 2000/36/EC, 2000/13/EC other restrictions concerning cocoa and its products can be found for further purposes (FAOLEX Database).

4 IMPORTATION PROCESS OF COCOA

A review of the importation process from the point of production to the final consumption or destination is going to be discussed in this chapter. The process involves selecting the supplier, requesting the quotations, and then signing a sales contract and a purchase order.

4.1 Selection of the supplier

There are several governmental programs within the country like mass cocoa spraying exercises free of charge for the farmers to help increase cocoa production. In addition to this, there are also agricultural serviceable loans for the farmers to make it easy to purchase other essential equipment which might help them to produce more. Within the sub-region of West Africa, the government together with three other heads of state namely Cameroon, Nigeria, and Ivory Coast in 2001 agreed to destroy 250,000 tons of cocoa beans as a way of maximizing the market price of the cocoa beans (Food and Agricultural Organization of the United Nations 2016.)



Picture 5: A hierarchy for International Supplier Selection (Min 1994, 22-33.)

This stage of identifying the best supplier for cocoa beans is very crucial. From the table, it could be seen that the buyer has different suppliers to choose from when the need has been released. Through the recommendation of various sources like the chamber of commerce, trade directories and business associate the source of this need must be identified also. At this stage, the buyer has a clear view of the potential suppliers for his needs. Bearing in mind the potential for any setbacks, supposes the vendor does not provide as initially agreed, the buyer needs to access several factors which might hurt the supply.

Depending on the load or the bulk of the supply he needs, is not always good to put all his eggs in one basket and so he might choose more than one supplier. This is necessary because, if a supplier fails to delivery on time, the buyer might be put out of business. As already mentioned, choosing a supplier needs a lot of work. The buyer must be abreast with the various details about each of the potential suppliers. For example, country security, quality as well as quantity of products (cocoa beans), financial security, country accessibility, political risks and most importantly any backup services. Taking all these into account, the buyer then makes a compact list of ‘will be’ potential suppliers and compare them with the check list to arrive at the most suitable supplier(s) (EPIQ 2014.)

4.1.1 Request for quotations

This is the next step in the selection criteria. The buyer sends a quotation request (RFQ) to the selected supplier(s). This process is keen because it gives an exceptionally good picture of the price, the product as well as its feasibility. If it is done properly, the buyer saves time and resources as he can easily compare among the chosen suppliers and finally begins the negotiation process. The request for quotation is very essential in the initial process as it offers the buyer an understanding of the various suppliers and provides him with a basic understanding of the best possible solution to his problems. It must be critically accessed to produce the best (Appendix 1) (EPIQ 2014.)

The next step from the buyer’s viewpoint is for the supplier to send a proposal after receiving the quotation(s). This proposal should contain relevant information about the specific terms and conditions and any other vital information(s). A critical look at the proposal should show, for example, the quantity, the unit price and sales terms as it happens in the commodity market for goods. The proposal could be tens of pages, but the most important of it is the availability of the relevant information that needs to be provided. (Hinkelman 2008, 32.)

4.1.2 The sales contract

In a contract for the sale of goods, the seller transfers or promises to transfer the buyer's ownership of the products in exchange for payment, or the price. There might be a contract of sale between two co-owners. A selling agreement may be either unconditional or conditional. A sale takes place when the legal ownership of the goods in question is transferred from the seller to the buyer under a contract of sale. The contract is known as an agreement to sell when, under a contract of sale, the transfer of the property in the goods is scheduled for a later date or is contingent on one or more conditions that must first be met. When the period or the circumstances under which the property in the goods is to be transferred expires, the agreement to sell is said to have been completed (sale of Goods Act 1979). This contract of sale is the next step the buyer must follow the supplier has been selected. It is less work to contract a supplier within a given country and the drawing up of such a contract is also less complex because national laws and business culture may be the same. In international contract in contrast is more complex as it involves two or more parties with different business cultures or national laws in contracting a supplier. (Unidroit 2004, 267-287.)

A contract should be able to spell out the goods' description, price, quantity of goods, delivery terms as well as payment terms. More significantly, the contract should also contain the relevant information regarding costs and charges (insurance, duties), transportation details, cancellation, inspection rights and force majeure. (Hinkelman 2008, 35.) Since the contract is between international parties, an international agreed standard should be used. This will go a long way to eliminate the problem of diverse interpretations from the parties. To this extent, an international standard of trade terms known as Incoterms is highly recommended. Around a hundred countries around the world have adopted this. They clearly define who and where the buyer or the seller has had to handle the risks and costs, the insurance responsibility as well as the customs formalities. (Lemmilä 2008, 10.)

There may be some clauses in the contract. Based on the country of domiciled, the supplier will prefer to use the country's law in reaching the applicable law. According to the goods delivered, the clauses in respect of penalties should be determined. Such a clause does not seek to project doom for the parties, but it will go a long way to settle or help in avoiding unforeseen problems or limit their consequences. (Van Weele 2014, 39-40.) Though templates of contracts and their conditions can be found on various mediums, the parties involved should draw up their contract based on the expectations as these templates only serve as a guide to the parties. As soon as the supplier accepts the offer from the buyer and confirms this by the purchase order by accepting the terms of purchase and other terms, the contract of sale comes into force. (Van Weele 2014, 40.)

It should be noted that, in practical business life, the supplier most of the time will tend to propose and accept on his own sales conditions and may add additional sales terms as a counteroffer. (Lemmilä 2008, 10-12.) An example of the sales contract is in APPENDIX 2.

4.1.3 The purchase orders

A purchase order (P.O.) is a legal document that specifies the types, quantities, and agreed-upon costs of goods or services that the buyer will acquire from a supplier (seller). An official offer to acquire goods or services is made when a purchase order is sent to a supplier. A one-time contract between the consumer and the seller of the product is often formed when a seller approves a purchase order. Unless the purchase order is approved, there is no contract. In practice, the purchase terms as well as some clauses for the purchase can be printed on the back of the P.O. and to avoid unforeseen conflict the parties should check these carefully before appending signatures as acceptance of such constitutes a legal bidding document. (Accounting tools 2023.)

Buying a known product from a known supplier is termed routine buying, the order as well as the contract are two separate documents. The contract of sales, however, could as well be the purchase order in certain situations. According to the buyer, the purchase order must include the following information: an order number, a detailed description of the goods (or products), quantity, unit price, the number of units needed, the anticipated delivery date, the delivery address, as well as the billing address. The supplier then sends a commercial invoice which reveals the parties' full names and addresses, the date of release, the reference number for the invoice, the order number, the quantity, the description of the goods, the price per unit, the overall cost, including any other mutually agreed-up fees, and the total invoice amount. The commercial invoice should consist of the delivery terms and payment, the shipping details which define or state the good weight, the number of packages and other vital information required by the buyer (Van Weele 2010, 42; Hinkelman 2008, 36.)

4.2 International trade documents

International trade documents are divided into Official documents, commercial documents, transport documents and insurance documents. Official documents are those needed to get an official (regulatory) export authorization. Official paperwork is either granted by an appropriate authority or sent to that authority for legalization. One will not be allowed to export your items without local approval (from responsible Jordanian authorities). Such documents involve a customs or export declaration, an export license or an authorization, a wharf age order (for maritime freight), a pre-shipment inspection certificate, a certificate of origin and a health certificate (for certain items or agricultural products). Commercial documents are the supporting documentation for the importer-exporter sales agreement. They are supplied by the exporter as evidence that they have complied with all the requirements of the sales contract. Commercial papers include, for instance: commercial invoices, packing lists, beneficiary certificates and verification documents. Transport documents, the way that transport papers represent a contract of carriage with a third party sets them apart from commercial documents. The payment and delivery methods in an import transaction depend heavily on transportation documentation. In international transportation, three primary types of transport documentation can be relied on. Those are the bill of lading, waybill, and consignment notes. The purpose of all transport documents is to provide proof that the carrier has received the goods, also to show evidence of a contract of carriage and to aid in the production of a freight bill (information on transport details and costs). Insurance documents also constitute evidence of a contract with a third party, namely the insurance company and therefore must be distinguished from commercial documents. The two main insurance documents are an insurance certificate and an insurance policy. (UNCTAD 2005.)

4.3 Transportation modes and delivery terms

When making plans for international trade, transportation and distribution are crucial factors. To guarantee that your import or export process is productive and economical, selecting the appropriate mode of transportation is vital. Importing and exporting can be carried out via road, rail, air, or sea, however, you might need to employ more than one mode of transportation. You must decide whether to manage coordination internally or externally while making your decisions and assigning a freight forwarder for the task (transport and distribution for international trade). In practice, bigger companies most often than not handle their coordination whilst smaller companies tend to outsource their logistical needs to a recognized international freight forwarder. The form of transportation that is chosen is particularly important since it directly affects factors like pricing, delivery time, and dangers, all of which are important in international trade. Again, the type of commodities and the destination have a greater impact on the manner of transportation. Contrarily, it is accepted that air freight is priced higher than sea freight and railroad freight, however, this is mostly an assumption (Astrup, Bertasi, Hassan, Jiménez, Jolivet, Katz, Schiavi, Truong, & Van der Vaalk 2003, 235-238.)

Concerning this product choice, it is often a choice by most suppliers to use the maritime mode because of its cost-effectiveness (transport and distribution for international trade). There is a lay down procedure by which the choice of transportation could be made because this is very vital as it has a direct effect on the success or failure of the importation process. The following should be considered when choosing transportation: the logistical analysis (physical distribution management), and the volume needed (lower price for the buyer with voluminous order) as transportation cost directly has an impact on the price of the goods. It should be noted that the cost is interdepending on the Incoterms agreed. Apart from these measures which should be considered, there are also others which need as much attention as the previous. Reliability: knowing the trends in the shipment routine as well as the packing costs can influence the choice of transportation. Packaging is also important as inexpensive shipping would need more expensive packing, to a greater extent limits the damages and losses. Just-in-time deliveries reduce the inventory as well as warehouse costs, so it is also especially important to study inventory management very well. (Astrup *et al.* 2003, 235, 238.)

The key role of international freight forwards should not be underestimated. They have a greater knowledge of international transportation and when requested they can help by providing you with the best packages following customer needs. They can also act in the capacity of agents for both import and export. Their experience in handling customs documentation, insurance, port, and terminal charges comes in handy when their services are contracted. (Astrup *et al.* 2003, 244-246.)

4.3.1 Sea transport

International trade is made easier by maritime shipping services. Nevertheless, the broad range of operations associated with marine transport services needs a detailed understanding of each driver and the accompanying complexities. In 2005, the United Nations Conference on Trade and Developing Countries (UNCTAD) showed that developing nations accounted for 49 per cent of all products loaded at sea and 31 per cent of all goods shipped. Agreements on marine transport services have formally focused on three pillars of the sector: international shipping, auxiliary services, and access to and use of port facilities. Each pillar is responsible for a distinct set of marine services. International shipping, for example, transports passengers or cargo between ports in various nations with auxiliary warehouse service. (UNCTAD, 2005)

It should be also understood that, in international trade, maritime transportation is the common use and represent over 90% of all international trade transportation. There are different terms one needs to understand when using maritime transportation. For instance, freight charges, surcharges, cargo handling, liner terms and more importantly the use of the INCOTERMS chosen. The formal procedure commences when an importer selects a freight forwarder who will handle the shipping on his or her behalf. The freight costs are the fees charged by the carrier for transferring the goods to their destination. The amount is calculated based on the weight - per ton - or volume - per cubic meter - of the products (the volume - weight ratio is 1.33 to 1). Extra expenses may apply in addition to the standard freight. For example, the bunker's modification factor and the currency adjustment factor (depending on the currency utilized). It should be noted that to account for fuel fluctuations, a percentage is added to the regular freight that lands at the final fee charged. In addition to this, the second charge is issued depending on the early currency used. To safe guide also fluctuation of the currency in which the freight is quoted. (Astrup *et al.* 2003, 253-259.)

Most of the time handling charges are excluded from the freight charges. This is important because, depending on the Incoterm chosen the prices may vary. For instance, if the Incoterm FAS (Free along Ship) is the one agreed upon, it may increase the cost either to the importer or the exporter. In the same manner, as Incoterms establish the relationship between the customer and seller, liner terms establish the relationship between the shipper and the carrier of choice. More importantly, regardless of the choice of the Incoterms agreed upon, the liner term should fit into the agreement to avoid any unforeseen conflict. This is relevant because, the prices may vary if the transport is covered under the ship’s tackle, on board or the quay (Astrup *et al.* 2003, 253-259.) The buyer on the other hand needs to consider very several key issues to enable him to make some recommendations as to the choice of the carrier. For instance, the speed of delivery, reliability, packing cost, and more importantly the impact of transportation on inventory management needs to be studied and understood well in advance.

4.3.2 Air transport

From its inception after World War II until the first oil crisis in 1973, international air transport increased at double-digit rates. Technical innovation provided a significant drive for this expansion. The arrival of turboprop Eller aircraft in the early 1950s, transatlantic jets in 1958, wide-body aircraft with high by-pass engines in 1970, and sophisticated avionics later were the major advances. They delivered faster speeds, larger sizes, and improved unit cost management, resulting in cheaper real fares and rates. When this was combined with rising real salaries and more, the result was a surge in demand for air travel. (Astrup *et al.* 2003, 260-262.)

This mode of transportation is expensive, and its volume is small as compared to maritime transportation (2% by weight). As this is an expensive mode of transportation, it is often associated with high-value, time-bound or perishable goods. Air freight is also associated with a weight-volume ratio (6: 1). For air freight, the fundamental weight ranges are 0-45kg, 45-100kg, 100-300kg, 300-500kg, and 500kg to 1ton. Usually, the freight charge is often decreasing following the weight bracket of the item shipped. Tough air transportation is seen as an expensive choice, it enables both the importer and exporter to reduce some charges. For instance, customs duties, packaging cost, inventory cost and as compared to maritime, the cost of insurance is reduced to 0.3% (Astrup *et al.* 2003, 260-262.)

4.3.3 Road/railway transport

Vehicles can transport a maximum of 44 tons of goods depending on the weight per drive axle: mechanical suspension (national traffic) = 10.5t; road-friendly suspension (national traffic) = 11.5t; international traffic =11.5t. National transportation laws differ from country to country. Road freights rates are also calculated to the ratio of volume – to weight (International Transport Forum December 2007, 42-44). Understandably, road transportation has many advantages as compared to other modes of transport. Among the numerous advantages of using road transport are the choices of either having a door- to – door service, reducing the risks of transhipment and handling of the goods in question and minimizing the kind of special equipment(s) of loading and off-loading the goods. The table below from the International Transportation Organization gives the various weights depending on the type of vehicle used for road transport across Europe.

International Transport Forum

PERMISSIBLE MAXIMUM WEIGHTS OF TRUCKS IN EUROPE (in tonnes)							
Country	Weight per non-drive axle	Weight per drive axle	Lorry 2 axles	Lorry 3 axles	Road Train 4 axles	Road Train 5 axles and +	Articulated Vehicle 5 axles and +
Albania	10	11.5 (3)	18	26 (2)	36	40	44
Armenia	10	10	18	22	36 (19)	36 (19)	36 (19)
Austria	10	11.5	18	26	36	40	40
Azerbaijan	10	10	18	24	36	42	44
Belarus	10	10 / 11.5	18 / 20	25	38 / 40	40 / 42	42 / 44
Belgium	10	12	19	26	39	44	44 (1)
Bosnia-Herzegovina	10	11.5	19	26	38	40	40
Bulgaria	10	11.5	18	26 (2)	36	40	40
Croatia	10	11.5	18	24	36	40	40
Czech Republic	10	11.5	18	26 (2)	36	44 (2)	42 / 48
Denmark	10	11.5 (3)	18	26 (2, 3)	38	42 / 48	42 / 48
Estonia	10	11.5	18	26 (2)	36 (4)	40 (5)	40
Finland (6)	10	11.5	18	26 (2)	36	44 / 60 (7)	42 / 48
France	13	13	19	26	38	40	40
FYROM	10	11.5	18	24	31	40	40
Georgia	10	11.5			44	44	44
Germany	10	11.5	18	26 (2)	36	40	40
Greece	7 / 10	13	19	26	33	40	40
Hungary	10	11.5	18	25	30	40	40 / 44 (8)
Iceland	10	11.5	18	26 (2)	36	40	44
Ireland	10	11.5 (9)	18	26 (2)	36	44 (2)	44 (2)
Italy	12	12	18	26 (2)	40	44	44
Latvia	10	11.5	18	26 (2)	40	40	40
Liechtenstein	10	11.5	18	26	36	40	40
Lithuania	10	11.5	18	26 (2)	36	40	40 / 44 (10)
Luxembourg	10	12 (11)	19	26	44	44	44
Malta	10	11.5	18	25	36	40	40 / 44 (8)
Moldova	10	10	18	24	36	40	40
Montenegro	10		16	24	36	40	40
Netherlands (12)	10	11.5	21.5	33	40	50	50
Norway	10	11.5	19	26	37	42	44
Poland	10	11.5	18	26 (2)	36	40	40
Portugal (4)	10	12	19	26	37	40	40
Romania	10	11.5	18	25	36	40	40
Russia	10	10	18	25 (2)	36	38	38
Serbia	10	11.5	18	26	32	40	40
Slovakia	10	11.5	18	26 (2)	36	40	40
Slovenia	10	11.5	18	26 (2)	36	40	40
Spain	10	11.5	18	26	36	40	44 (13) / 42 (14)
Sweden	10	11.5	18	26 (2)	38	48/60 (10)	48/60 (10)
Switzerland	10	11.5	18	26 (2)	36	40	40
Turkey	10	11.5	18	25/26 (16)	36	40	40/44 (10)
Ukraine	11	11	16 (17)	22 (17)	38 (17)	38 (17)	38 (17)
United Kingdom	10	11.5	18	26 (2)	36	40 (18)	40 / 44 (10, 18)

Notes

1. 2 axles tractor + 3 axles semi-trailer: mechanical suspension = 43t ; pneumatic suspension = 44t
2. With air suspension or similar
3. Weight per drive axle: national traffic = 10t; international traffic = 11.5t; Lorry 3 axles: national traffic = 24t; international traffic = 26t
4. 3 axle tractor + 1 axle trailer = 35t
5. 3 and + axles tractor + 3 and + axles trailer = 44t
6. For vehicles registered in an EEA member country
7. 5 axles = 44t; 6 axles = 56t; 7 axles = 60t
8. 44t is applicable for 40 feet long ISO containers
9. Weight per drive axle: mechanical suspension (national traffic) = 10.5t; road friendly suspension (national traffic) = 11.5t; international traffic =11.5t

12-Oct-2011

PICTURE 2 Weight for Road Transport across Europe (International Transport Forum 2007.)

A minimum of 6 axles are required for regular operation at 44t. The driving axle(s) must not weigh more than 10.5 tons and feature dual tyres or road-friendly suspension. Vehicles without road-friendly suspension on the operating axles must have dual tyres and a maximum axle weight of 8.5t. Each of the parts of the combo must have at least three axles, and the trailer must have a road-friendly suspension. Each additional ton beyond the permissible weight of 36 tons is subject to a fine of 55 AMD (1 USD = 364 AMD) per mile of travel (International Transportation forum 2017, 74-81.)

Though railway wagons to a larger extent can carry up to 500 tons, mostly they are associated with bulk transportation or industrial purposes. Furthermore, freight for the railway is not calculated based on the ratio of volume- to weight. Thus, different prices or rates are depending on the type of service choice (Express or normal railway transport mode). It is worth mentioning that, over the past decade, the use of the railway for transportation has declined paving the way for both road and air transportation.

4.4 Incoterms 2010

The International Chamber of Commerce has standardized trade terms into Incoterms, which shows the obligations of both buyer and seller in terms of cost allocation and risk factors to both parties. This is having served an exceptionally noble cause because, international business transactions are often mere by payment methods, transportation problems, diverse interpretations when it comes to taking responsibility when something goes wrong and more importantly trading currencies as there exist different rules from country to country. Incoterms are three-letter trade terms which are constantly revised every decade to update them with the current trends and shipping practices around the world. The use and quote of any of these terms should be precise and agreed upon by both parties. (International Chamber of Commerce 2010, 121.)

Before the adoption of the Incoterms in 2010, there were Incoterms in 2000. The main differences between the two are that the number of Incoterms has decreased from thirteen to eleven. Two new Incoterms (DAT, DAP) have replaced four Incoterms (DAF, DES, DEQ, DDU). The superseded Incoterms DAF, DES, and DEQ were seldom used in daily trade. Likewise, Incoterms 2000 had four categories, but Incoterms 2010 has two primary categories arranged by mode of travel: one for any method of transportation and the other for just maritime transport. (International Chamber of Commerce 2010, 123.)

There are seven (7) Incoterms rules for any mode of transport according to the International Chamber of Commerce. These are as follows EXW- Ex Works; FCA - Free Carrier; CPT - Carriage Paid To; CIP - Carriage and Insurance Paid to; DAT - Delivery at Terminal; DAP - Delivery at Place and DDP -

Delivery Duty Paid. These rules can be used even if there is no maritime transport at all. (International Chamber of Commerce 2010, 123.)

Under the sea transport mode, there are 4 Incoterms. These are FAS – Free Alongside Ship; FOB – Free on Board; CFR – Cost and Freight and CIF- Cost Insurance and Freight. The maximum obligation and the responsibilities of the buyer are represented by the Incoterm EWX (Ex Works) whereas the Incoterm DDP spelt out the minimum obligations for him. (International Chamber of Commerce 2010, 121-124.)

4.5 Transport documents

Air waybill, carrier's certificate, bill of lading, packing list, hazardous material declaration, forwarder's instructions etc. serves as evidence of acceptance and receipt of goods for carriage and may also serve as a document of ownership (title) in international shipments. These among many other documents are all necessary when establishing any form of international transport. For this thesis, a fraction of the listed transport documentation will be further enlightened for a better understanding.

4.5.1 The bill of Lading (B/L)

A legal agreement between the shipper of a certain product and the carrier that specifies the kind, amount, and destination of the goods being transported. When the item is delivered to the assigned location, the bill of lading also functions as a shipping receipt. This document must be signed by an authorized representative from the carrier, shipper, and receiver and must accompany the sent items no matter the mode of transport. The bill of lading is an important transportation document because it can be negotiable or otherwise. For instance, an air waybill is one form of a bill of lading as it serves as transportation between airports and this form of lading is non-negotiable. (Hinkelman 2014, 38 – 55.)

4.5.2 The packing lists

A legal agreement between the shipper of a certain product and the carrier that specifies the kind, amount, and destination of the goods being transported. When the item is delivered to the assigned location, the bill of lading also functions as a shipping receipt. This document must be signed by an authorized representative from the carrier, shipper, and receiver and must accompany the sent items no matter the mode of transport. Usually, a copy of the packing list is sent in advance to the importer to give him prior knowledge of the shipment. (Hinkelman 2014$_b$, 38-55.)

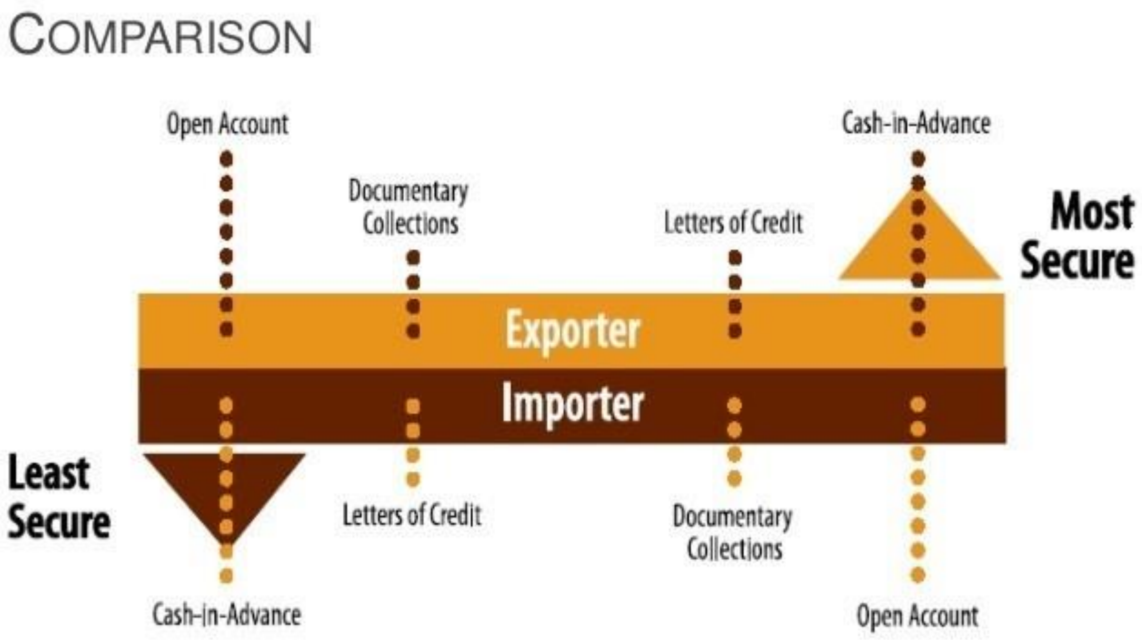
4.6 Payment methods

To thrive in today's global economy and earn sales, international trade provides a spectrum of risk, confusing payments between the exporter (seller) and importer (foreign buyer). The payments used range from international payments to credit lines and prepayments in cash as well.

4.6.1 International payment

Until money is exchanged, each sale is seen as a gift by exporters. As an outcome, exporters prefer to get paid as quickly as feasible. Ideally, as soon as an order is placed or before the items are delivered to the importer. An importer, on the other hand, regards payment as a charity until the products are received.

In international business environments and transactions, there are different payment method which carries their risks and pros. The business relationship between the two parties involved, the time required for the payment, the type and volume of goods being ordered and bearing any other detail or specifications agreed upon between the parties, the choice of the payment terms will be under the underline trade terms stated. There are various methods of international payment methods. Notably among them are open accounts, payment in advance, documentary collections, letters of credit and documentary credits. (Investopedia 2022.)



PICTURE 3: Risk and certainty of the payment methods (Adigüzel 2020, 275.)

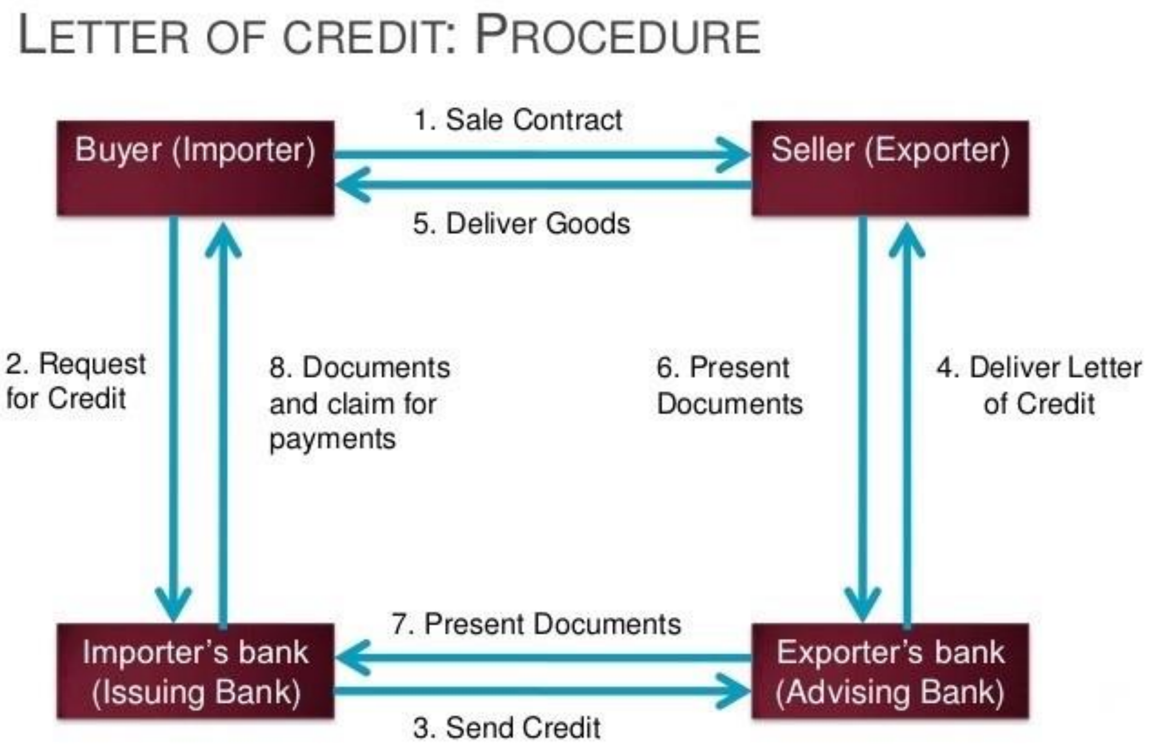
4.6.2 Open accounts

An open account transaction is a sale in which the products are shipped and delivered before payment is due, which is normally in 30 to 90 days. This option is the most advantageous option for the importer in terms of cash flow and cost, but it is also the riskiest option for an exporter. Due to intense competition in the export markets, foreign buyers frequently press exporters for open account terms, as the extension of credit by the seller to the buyer is more common abroad. As a result, exporters that are hesitant to give financing may lose a transaction to their competitors. However, by utilizing one or more appropriate trade financing solutions, such as export credit insurance, the exporter may provide competitive open account terms while significantly lowering the risk of non-payment. Many payments are made by telegraphic (wire) transfer through a bank or foreign bank check (banker's draft).

4.6.3 Letter of credit (L/C)

Letters of credit (LCs), sometimes known as documentary credits, are among the most secure instruments accessible to international traders. An LC is a commitment made by a bank on behalf of the buyer to pay the exporter if the terms and conditions indicated in the LC are satisfied, as proved by the presentation of all requisite papers. This service is paid for by the buyer via his or her bank. An LC is beneficial when obtaining solid credit information about a foreign buyer is difficult, but the exporter is pleased with the buyer's foreign bank's creditworthiness. An LC also protects the client because there is no payment obligation until the products are transported or delivered as guaranteed. The method is as follows: the issuing bank sends the letter of credit to the seller's bank (negotiating bank), which confirms the legitimacy of the documentary credits before sending it to the seller. When the seller ships the products in line with the trade conditions agreed upon, the seller sends all data to the negotiating bank to arrange payment (Astrup *et al*. 2003.)

After ensuring that the papers adhere to the agreed-upon requirements of the documentary credit, the bank forwards the documents to the issuing bank with a payment request. This procedure can be confusing for a first-time user since, in some situations, a third bank known as a reimbursing bank act as an intermediary between the two banks. If the buyer is pleased with the paperwork upon delivery of the goods, the money will be forwarded to the negotiating bank, which will then pay the exporter. There are diverse types of letters of credit namely irrevocable and revocable letters of credit; confirmed and unconfirmed (Advised letters of credit); Transferable letters of credit; Stand-by letters of credit; Revolving letters of credit; Back-to-Back letters of credit; Red clause letter of credit and Sight or usance letter of credit (Export Finance Navigator 2014; Astrup et al…2003, 180-212; Hinkelman 2008$_{b}$, 13.) Picture 8 below shows the procedure for the letter of credit.



Picture 4: Letter of credit procedure (UN/CEFAC 2022.)

4.6.4 Documentary collection

A documented collection (D/C) is a transaction in which the exporter entrusts the collection of a payment to the remitting bank (export's bank), which sends papers to a collecting bank (importer's bank) along with payment instructions. In exchange for those papers, funds are obtained from the importer and paid to the exporter through the banks participating in the collection. D/C refers to the use of a draft that compels the importer to pay the face amount either at sight (documentary against payment) or on a fixed date (document against acceptance). The draft contains guidelines that detail the paperwork required to affect the transfer of ownership to the objects. Although banks serve as facilitators for their customers, D/C provides no verification system and extraordinarily little redress in the event of non-payment. Drafts are less costly than LCs in general (Hinkleman, 2014$_b$, 38-55.)

There are two clear-cut differences between these two transactions that are, the seller does not draw the draft for payment for the assuming bank in a documentary collection and the issuing bank simply acts as a collecting bank on behalf of the seller with a commission for this kind of service and so, therefore, has no obligation to pay the seller (Hinkleman 2014_b, 38-55.)

4.6.5 Cash in advance/prepayments

The exporter can avoid credit risk with cash-in-advance payment arrangements since payment arrives before ownership of the products is transferred. The most popular cash-in-advance methods for exporters are wire transfers and credit cards. However, requesting upfront payment is the least appealing choice for the buyer since it creates cash flow issues. Foreign purchasers are also concerned that if payment is made in advance, the items may not be delivered. As a result, exporters that rely on this payment method as their sole means of conducting business may lose out to competitors who offer more appealing payment terms. It is worth mentioning and noting that, accompanying in the form of international payment choice are the documentations or forms which also form the international banking documents. There are several of these documents but notable and common among the lots are the commercial invoice, bill of lading, certificate of origin, packing list, inspection certificate for some type of goods, export license, consular invoice (some countries), shipper’s export declaration, insurance certificate and many others. (Hinkleman 2014_b, 38-55.)

4.7 Customs

Customs enables lawful international trade to the greatest degree possible by adapting applicable international treaties and tools created by the World Customs Organization to maintain effective regulations to combat illicit commodities trafficking. This is why customs, rather than the importer, decides on duty rates. While the way you manage customs in your international trade influences client satisfaction, customs duty savings will have an impact on your bottom line. The responsibility of an export or import clearance is determined by the choice of the Incoterm agreed upon between the two parties (vendor and customer). This is necessary because any goods imported or exported from a third country attract customs duty and taxes (World Customs Organization 2016.)

To unify and promote these practices, the World Customs Organization developed a harmonized system (H.S.) of international product categorization terminology. As we travel from area to region, the coding of the harmonized system takes on a distinct name. In the European Union, for example, this customs tariff is known as the CN or the European Community's combined nomenclature. (World Customs Organization). The Harmonized System (HS) is a commodity categorization system in which articles are categorized according to the type of materials from which they are created, as has been customary nomenclature tradition. The HS has 500 headings and subheadings that cover all trade items (World Customs Organization 2016.)

These laws are grouped in 96 chapters divided into 21 sections, which together with the interpretative rules and legal annotations to the chapters and sections create the Harmonized System's legal text. A ten-digit code system is associated with the H.S. in the classification of goods. The first two digits identifies the section in which goods are allocated. Then the next two digits identify the type of collection or grouping which is part of this chapter while the last digits set out the products. The H.S. code for cocoa beans is known to be 1801000000: the first two digits, which is 18 is the group of cocoa and cocoa preparation, 01 followed by 18 is the group for cocoa beans, whole or broken, raw or roasted (World Customs Organization 2016.)

4.7.1 Export customs formalities in Ghana

All export commodities in Ghana have been categorized into two main groups: traditional exports and non-traditional exports.

The export requirements for Ghana exportation are as follows:

- Register your company with the register general department.
- Register your company with the Ghana Export promotion council and obtain a number.

Cocoa beans fall under the traditional export and so one needs Fumigation and Quality Assurance by the control division of the Ghana Cocoa Marketing Board (COCOBOD)

The clearance procedure for traditional export includes the following:

- Obtain Bank of Ghana Exchange Control Form A2 from your bank
- Declare your goods and submit them to Customs through the GCNET/GCMS

- Where the Customs point of exit is not connected to the GCNET/GCMS, you must declare your goods on the Customs Single Administrative Document (SAD) Form.
- The certificate of Packaging
- The certificate of Origin EUR1
- A Certificate of Analysis
- Certificate of Origin UEMOA and CEDEAO (Ghana revenue authority 2022.)

4.7.2 Import customs formalities (Finland)

Importing products from non-EU countries to Finland needs some documentation. For the importation of cocoa beans to Finland a few documents are required namely: the bill of lading, the commercial invoice, the packing lists, the customs value declaration, the freight insurance, the customs import declaration (SAD), the certificate of origin, and the inspection certificate (www.tulli.fi.)

In addition to the above, import duty and taxes are due when the goods are from outside the European Union. The calculation is done based on the value of the imported goods in addition to the costs of the import, which encompasses insurance and shipping. In Finland, if the imported goods' face value (shipping charges and insurance inclusive) is below 150euro or the amount of duty does not exceed 10euro the minimum thresholds (no duty applicable) apply. On the other hand, if the total value of the goods imported does not exceed 22euro (shipping charges and insurance excluded) it also does not attract import duty (www.tulli.fi.)

Regarding the H.S. code, cocoa beans attract a 0% duty when imported. Hence if by the EXW, the value of the cocoa beans imported does not exceed 22euro, then as explained above, the VAT rate will amount to 0% as well. On the contrary, if the value exceeds 22euro, the VAT rate of 24% will be applied. For specific detail about importation to Finland and its relevant information, the Finnish National Board of Customs (www.tulli.fi) will be a useful link to address such issues.

EU Tariffs

Search results

Exporting Cocoa beans, whole or broken, raw or roasted - Cocoa beans, whole or broken, raw or roasted from Ghana

Code	Product description
18	COCOA AND COCOA PREPARATIONS
1801	Cocoa beans, whole or broken, raw or roasted

Origin	Measure type	Tariff	Conditions	Footnote	EU Law
ERGA OMNES	Third country duty	0 %			R2204/99
Economic Partnership Agreements	Tariff preference	0 %			R1528/07

Source DG Taxation and Customs Union Taric (latest update on 05/04/2014)

Picture 5: Tariff applicable to cocoa beans (European Union 2022.)

4.8 Description of the import process

Figure 1 below shows the general view of the importation process from a third country into the European Union. Detail explanation follows with more information regarding the various link flows.

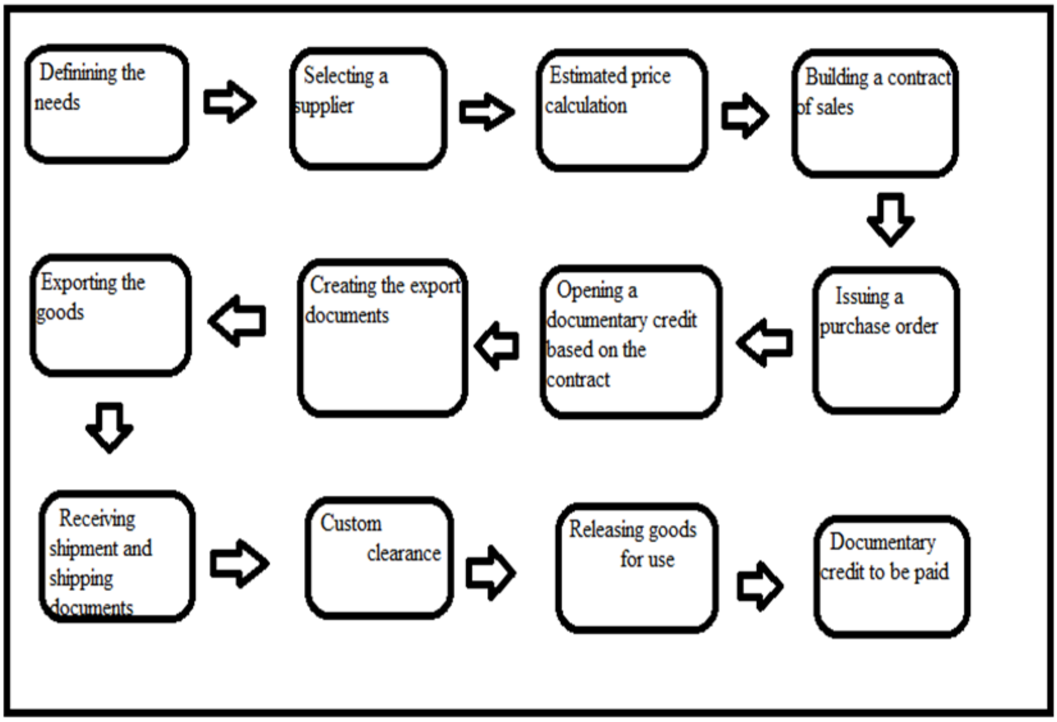


Figure 1: Importation Process by steps.

As explained early in chapter four, finding a good and reliable supplier when the need of a company has been realized is not an easy task, to begin with an importation process. It will be in the best interest of both the buyer and the supplier to follow this underlined process as shown above to avoid errors, mistrust, and time-wasting in dealing with foreign suppliers especially when the supplier is new to the company. As part of this chapter, a real company from Finland Oy Karl Fazer Ab (fazergroup.com) and Produce Buying Company Ltd (PBC) (pbcgh.com) will be used to explain issues more concretely and reliably. The scenario had been that the Finnish company (importer) is looking for a new cocoa supplier from Ghana.

4.8.1.1 Defining the needs

Oy Karl Fazer Ab is a well-established company in Finland that deals with cocoa to make end products for its numerous customers. Since it depends on the outside world (cocoa-growing country) for its raw material. Over the years it has been importing from different countries to its production plant. The need to look for a new supplier (Produce Buying Company Ltd (PBC) is due to inconstancy with its previous supplier coupled with frequent delays which cost them huge sums of money. The company (Oy Karl Fazer Ab) is in Helsinki. The city with its great infrastructure (access to airport, train, and road) will be very advantageous for the importation of the cocoa beans to its production unit.

4.8.1.2 Looking for supplier

When the point is reached for a firm (Oy Karl Fazer Ab) to choose a supplier for its raw material (cocoa), there are diverse sources and networks which can aid in the selection of the best among the rest. According to the world cocoa production countries, it is seen that 72% of the world's cocoa is coming from Africa. The rest of the cocoa production is from somewhere else. To make a sound decision, the organization needs to thoroughly evaluate all prospective raw material providers. When it comes to the cocoa trade, there are some ground rules. According to the International Cocoa Organization, there are no more than two intermediaries between growers and exporters. Though cooperatives can export the beans directly, small dealers may purchase them directly from farmers and distribute them to wholesalers. In addition to the fundamental that companies use in arriving and selecting potential suppliers (price, quality, delivery, and innovation), many other factors are also worth considering when it comes to the essential product. The picture below gives a summary about some criteria for supplier selection.

Rank	Factor	Mean rating	Evaluation
1	Quality	3.508	Extreme importance
2	Delivery	3.417	
3	Performance history	2.998	
4	Warranties and claim policies	2.849	
5	Production facilities and capacity	2.775	Considerable importance
6	Price	2.758	
7	Technical capability	2.545	
8	Financial Position	2.514	
9	Procedural compliance	2.488	
10	Communication system	2.426	
11	Reputation and position in industry	2.412	
12	Desire for business	2.256	
13	Management and organization	2.216	
14	Operating Controls	2.211	
15	Repair Service	2.187	Average importance
16	Attitude	2.120	
17	Impression	2.054	
18	Packaging Ability	2.009	
19	Labor relations record	2.003	
20	Geographical location	1.872	
21	Amount of past business	1.597	
22	Training aids	1.537	
23	Reciprocal arrangements	0.610	Slight importance

Table I.
Dickson's (1966) vendor selection criteria

Picture 106 for selection (Ersoy 2017.)

After carefully considering and weighing the diverse options, Oy Karl Fazer Ab has selected Produce Buying Company Ltd among its potential suppliers. Since the company's privatization and subsequent listing on the Ghana Stock Exchange, Produce Buying Company Ltd (PBC) has succeeded well, but not without obstacles. Despite stiff competition from twenty-five (25) licensed buying businesses, PBC Ltd holds a 37% market share on average. This is without a doubt a significant success. The firm has had a very remarkable record in terms of market share and profitability over the three prior (3) seasons.

As part of its dedication to farmers and as part of its social duties, the firm supports a wide range of programs in cocoa-growing areas. These include a lot of electrical and water projects, in addition to other development initiatives aimed at improving the residents' living standards. The company has constantly donated cash and farming materials to the Ministry of Food and Agriculture in support of the National Farmers Day Celebrations. It has continued to supply farmers with needed farming inputs like fertilizer, spraying machinery, and insecticides/pesticides to boost cocoa output.

The social corporate responsibility shown by the Produce Buying Company Ltd caught the attention of the Finnish company as they seek to add more in educating and addressing more social issues concerning health care, sustainable environmental programs and give the right to quality education to the rural folks where they get their raw materials from. Furthermore, as consumer awareness about Fairtrade is on the rise, it was a plus for the Ghanaian company as they already have the certification for Fairtrade (the minimum threshold of its cocoa is USD 1600/tonne and will only increase when the market prices of cocoa increase but will remain the same even in the face of lower cocoa prices).

4.8.1.3 Request for quotation

This is a document which spells out or defines in specific detail the buyer preferences. It also explains the obligations and responsibility of both the consumer and the vendor depending on the choice of the Incoterms used. The buyer only sends the quotation request when he is fully satisfied with the terms defined not only to Produce Buying Company Ltd but also to all selected potential suppliers. There may be several reasons why a quotation of request is sent, but notable among them is the fact that the buyer wants to clarify its demand to the suppliers but again the buyer is also accessing and studying the supplier’s resources as well as cost (Importation).

4.8.1.4 Delivery terms and transportation mode

Care must be taken when dealing with a new supplier as its credibility if it is not well established in the mind of the importer so prominent issues like insurance of the goods should be taken care of by the importer. But in case Produce Buying Company Ltd want to be the one to handle the insurance part then a further request about the insurance policy will be required. Since Helsinki port is remarkably close to the importer’s location and coupled with the nature of the goods (cocoa beans), the best mode of transportation will be by sea. Therefore, the goods will be transported from the port of Ghana (Takoradi port) to the port of Helsinki. Hence Produce Buying Company Ltd can request a CFR Helsinki in its quotation request.

4.8.1.5 Final supplier selection and proposals

After all the potential suppliers have sent in their proposals to Oy Karl Fazer Ab, the company will study the various proposals to make a final selection decision. In arriving at the final supplier, it is only fair to mention that price is not only the criteria for the selection, but more factors will contribute to this as early on explained using Dickson's (1966) vendor selection criteria. Although there are many principles which form the basis for supplier selection according to Dickson's (1966) vendor selection criteria, in significant business life, Oy Karl Fazer deals with the performance history of the potential supplier, the reputation and the positioning of the supplier in the industry, financial stability of the supplier and lastly the amount of past business. This forms the underlining facts about the vendor selection criteria for the company and they are looking forward for all their suppliers to fall under this column to consider.

4.8.1.6 Estimated price calculation

When the final supplier choice is made, there is always a need for the buyer to calculate the impending cost of the total importation process (Ghana to Finland) to ascertain whether the cost falls within the estimated budget of the company. To arrive at the calculation, the following needs to be considered based on the quotation from Produce Buying Company Ltd. The elements of the calculation are as follows.

- The term of delivery is CFR Helsinki – cocoa beans from Ghana.
- Cocoa beans price as shown by the ICCO are,
- Cocoa beans, grade I = USD 3076.42/ton (FCA value)
- Cocoa beans, grade II = USD 3011.33/ton (FCA value)
- Fairtrade premium is USD 300.

As requested, the cocoa will be packed in sealed bags of 50kg maximum with a weight of 200kg each. (150kg of grade II and 50kg of grade I). There will be fixed transportation as well as handling costs rate from the Takoradi port to the Helsinki port at 600,00 EUR between 180 and 210kg and 150,00 EUR from the port of Helsinki to the warehouse. The insurance premium is 4%, import duty is 0% and VAT is 24% and the exchange rate is 1 USD = 0.723179.

Table 1. Estimated cost of cocoa beans' importation

Detail	Description	Total (EUR)
Cocoa beans	(3076,33*0,05) +(3011.33*0,15) * 0,723179	437,8965
Fair trade premium	300*0,723179	216,9537
FCA Takoradi		
Transport +handling costs	1*600	**600,00**
CFR Helsinki		**1,254,8502**
Insurance	Value = 1075*1,1 = 1182,50 EUR Premium = 1182,50*4%	47,3
CIF Helsinki		**1,302,1506**
Duty	1098,65*0%	0,00
Taxes	1098,65*24%	263.676
Transport +handling costs	150*1	150,000
DDP Turku		**1,715,8266**

4.8.1.7 Contract of sales

If after the calculations, Oy Karl Fazer Ab accepts the offer from the Produce Buying Company Ltd, the two parties move forward and engage themselves in the sales contract which will define the obligations as well as the responsibilities of each party.

4.8.1.8 Purchasing order

This follows the contract of sales that have been drawn. Oy Karl Fazer Ab can then issue its first purchase order for Produce Buying Company Ltd. Produce Buying Company Ltd will then receive this order and then acknowledge receipt by the sales personnel responsible or authorize to do so within the company.

4.8.1.9 Documentary credit opening based on the sales contract

After it issues this order of purchase, Oy Karl Fazer Ab now contacts its bank to open a documentary credit to be able to submit to the seller's bank considering the conditions as spelt out in the sales contract.

4.8.1.10 Exporting the goods

Cocoa beans coming to the European Union follow the directive 73/241/EEC and so care must be taken to ensure that this is not abuse and that everything falls in line with this directive. In addition to this, every other documentation needed for example customs documentation and the insurance to cover the goods are in place, so everything is fully covered the goods. Note the importing company takes care of the insurance.

4.8.1.11 Receiving shipment and shipping documents

With the right documentation in place (bill of lading – issued by the forwarding company of Produce Buying Company Ltd and signed by the relevant authority in charge of the vessel given proof that the cocoa beans loaded are accurate as loaded into the vessel), the cocoa beans are shipped to Finland. The next action to be taken by Produce Buying Company Ltd is to forward the proforma invoice together with all other relevant documentation to its bank in line with the opening of the documentary credit. The documents to be submitted include the following, the certificate of origin EUR1, the certificate of origin CEDEAO and UEMOA, the verification slip, certificate of analysis, bill of lading (B/L), freight insurance and the packing list of the shipment. The seller's bank checks the various documentation and if they are in order. If everything is in place, they then forward it to the Oy Karl Fazer Ab bank with a payment request.

4.8.1.12 Custom clearance

For the goods (cocoa beans) to be released for “free circulation” within the European Union, the goods must go through customs upon their arrival at the port of Helsinki. The buyer must submit the following papers for the items to be cleared by customs: the bill of lading, the commercial invoice, the packing list, the freight insurance certificate, the SAD customs declaration, the certificate of origin, and the customs value declaration. (tulli.fi).

4.8.1.13 Releasing the goods for use

When the goods (cocoa beans) are finally cleared and transported to the warehouse of Oy Karl Fazer Ab, they then checked the goods to see if they conform to the conditions as stated in the contract of sales. After that, if all is well then, the cocoa beans can then be processed by the company.

4.8.1.14 Paying the documentary credit

The bank must check the validity of the documents to make sure they conform and comply with the documentary credit conditions. If all is clear, Oy Karl Fazer Ab must honour the invoice received from the Produce Buying Company according to the terms CFR Helsinki (1,254,8502 EUR), an invoice of (47,3EUR) from the insurance company, and the import duties and taxes (263.676).

4.8.1.15 Constraints in the importation processes

The lean production management system, which emphasizes quality improvement, human capital contributions, and supply chain management, is used in the organizational culture of Oy Karl Fazer Ab to build an organization with a cultural foundation for efficiency improvement. Just in Time (JIT) supply networks, which run with extremely low raw material stockpiles, are frequently embraced, and used in lean production. Rapid supplier response is essential to lean systems with JIT integration because it lowers inventory costs. As the Finnish company embraces this to improve and save on inventory costs, the same cannot be said of Produce Buying Company Ltd. Time is a real deal when dealing with a Finnish company. So, the number one constraint is time. In addition to this is the language barrier. Unless a translator is used in translating and signing the various documents between the two parties and is quick in delivering this service, there could be some delays which will cost money. Furthermore, the documentary credit comes with its problems. The various problems which might be associated with the documentary credit are as follows:

- Documents required by the credit are missing.
- Documents required to be signed are not signed.
- The credit amount is exceeded.
- The credit has expired, or the documents are presented late.
- Shipment was short or late.
- Descriptions of the goods on the invoice and in the credit are different.

Any inconsistencies among any of the documents (including the bill of lading, and insurance) could result in delay and further cost money as the time of the credit might expire. Finally, is the issue of trust. As Produce Buying Company is a new supplier, their loyalty and credibility are put on the line because if anything goes wrong, they might be rejected and lose the opportunity of receiving larger orders from the buyer.

4.8.1.16 Methodology of study

This section fully examines and discusses the techniques and materials that were used in accomplishing the goals of this research and thesis. In this chapter, there is an outline of how data was collected, data analysis methodologies, and ethical considerations to guarantee that research findings are accurate and reliable.

4.9 Research method

There already exists a supply chain in the importation of cocoa beans from Ghana to other parts of the world including Europe which the target market (Finland) is part of. This thesis seeks to identify ways and methods and to a large extent explore the possibilities to introduce the Ghanaian market to Finland in the cocoa trading business. To access the best alternative buying process methods, a qualitative method is used. This is made possible by already pre-existing knowledge obtained from books and pertinent websites. The purpose is to produce the best theory after comprising different theories to adapt to our chosen topic. The qualitative research method is relevant for this work because it will give up the very best from the key players involved in the trade and their views about real life in the importation process as against what books are saying about the whole process will be accessed.

4.10 Data collection

Data collection in research is the process followed to obtain the evidence necessary to answer the research questions or test research hypotheses. The data was collected through an interview with three cocoa-producing company representatives namely Kojo Atta Krah (Managing director) from Produce Buying Ghana Ltd, Boakye Duah Samuel (Chief Marketing Officer) from Ceres Dementer Ltd and Elinam Benedicta Agbokey (Head of Productions) from Cocoa Processing Company Ltd. The interview was virtually conducted where questions were asked about the trade relations and importation process of cocoa beans from Ghana to Finland.

4.11 Results of interviews

We carried out a couple of interviews with senior executives of Produce Buying Company Ghana Ltd, Ceres Dementer Ltd and Cocoa Processing Company Limited. The results are presented below.

4.11.1 Interview with Kojo Atta-Krah

We interviewed the Managing Director of the Produce Buying Company Ghana Limited to find out his views about the importation process from his company's point of view.

First, we asked about his view on the trade relationship between Ghana and Finland. He answered that, though not much is in common between the two countries, there is an existence of a trade relationship between the two countries not only in the cocoa beans business but other sectors of the economy. Touching on the specific directive of the European Union about the importation of cocoa beans, he was of the view that, since Finland is a member state within the EU, the same directive applies during this process.

Secondly, when we asked about how his company views the selection criteria of a new market as well as a new supplier, he responded that the selection criteria are extremely strict depending on the countries and the companies involve. The trade partnerships between the two countries or companies ease some of these restrictions. Most of the companies his company had been dealing with over the years are strict about the financial stability of the client company.

The political atmosphere of the client is put under the telescope and the political stability of the country also plays an important part in the selection process. Among other things, the reputation, and the position of the company in the industry play a significant role in supplier selection as well. Other factors such as performance history, and the cost of the whole importation process come in handy in determining the fate of a potential or a new supplier.

Finally, we asked about the choice of the payment method his company frequently used in dealing with suppliers. To this, he answered that, though there is no precise choice, his company chooses the best alternative payment method depending on the situation. The letter of credit is the first choice when dealing with a new company he established. He believed that this method of payment is the most secure way at first hand dealing with a new client. But he quickly added that, as time passes and a trade relationship has been formed between the companies, another payment may be established as the complications of the payment by the Letter of Credit are something serious.

4.11.2 Interview with Boakye Duah Samuel

We interviewed the Chief Marketing officer of Ceres Dementer Ltd in Ghana to solicit his views regarding our thesis.

We asked firstly about trade relations between Ghana and Finland. He answered in the affirmative and went on by saying, he is aware that, Ghana and Finland traded since 1995. In 2021 alone, Finland exported 51.8 million dollars' worth of products which included construction vehicles, delivery trucks, and long construction vehicles. Ghana on the other side exported 1.1 million dollars in 2021 to Finland. During the last 26 years, the exports of Finland to Ghana have increased at an annualized rate of 6.8% from 9.2 million dollars to 51.8 million dollars.

Secondly, we asked him about the EU regulations regarding the importation of cocoa beans. He answered that, from the perspective of the European authorities and buyers, all suppliers of cocoa-related products must comply with the European organic legislation, which requires regulations for production, processing, and trade regulation (EC) 2018/848 and labelling (EC) 1235/2008.

Thirdly, we asked about his opinion on the selection of new markets and any other factors which influence this selection. He believed every company has its assessment, but his company has among other factors considered the following, market size, market growth, government regulations, level of competition, physical infrastructure, and level of risks (political and economic, and operational risks).

Finally, we also asked about the payment methods which his company uses when dealing with foreign companies. He answered that many factors are considered when choosing the payment method or payment option. Some of these factors include the trade relationship between his company and the other.

Also, the time requirement (payment deadlines), the type and volumes of the goods ordered, and other trade specifications. He said that, among the many international payments such as open accounts, payment in advance, and documentary collections, his company mostly uses documentary credit from Ghana.

4.11.3 Interview with Elinam Benedicta Agbokey

We conducted an interview with the Head of the Production of Cocoa Processing Company Limited in Ghana to solicit her views regarding our thesis. We asked firstly about trade relations between Ghana and Finland. She answered in the affirmative and went on by saying, she is aware that, Ghana and Finland have a trade relationship which has been ongoing for the past 26 years. In 2021, the trade relationship between both countries yielded an overturn of over 51.8 million dollars.

Secondly, we asked her about the EU regulations regarding the importation of cocoa beans. She answered that for a third-world country like Ghana to export to a European market like Finland, all suppliers must comply with the European legislation which is the requirement for processing trade regulations (EC) 2018/848 and labelling (EC) 1235/2008.

Thirdly, we asked about the selection of new markets and any other factors which influence this selection. Her views were that it differs from company to company on how they access factors that influence their market choice. Her company considers the following factors: government regulations, market size, level of competition, risks, market growth and physical infrastructure.

Finally, we also asked about the payment methods which her company uses when dealing with foreign companies. She said the choice of payment method lies in the factors of the trade relationship between both partners. This includes the volume of the goods to be supplied, the country of origin and the time frame for the transaction. In her opinion, her company uses documentary credit from their bank. This has proven to be a reliable method of payment.

5 CONCLUSION AND RECOMMENDATIONS

There is a specific directive about cocoa bean importation to the European Union which underlines the basic rules that governed the importation of such raw material, there is no such directive in Africa. Cocoa is cultivated in different countries in Africa and each country has its regulations. In the case of Ghana, the regulation is handled by the central government and is regulated by the Ghana Cocoa Board for its implementation. To deal with a specific African country in the importation of cocoa beans, one needs to understand the mechanism of the country. Though intermediaries are not allowed in the trading of cocoa beans for instance in Ghana, a lot of these intermediaries smuggle the beans and so care must be taken to deal with authorized companies registered and certified by the Ghana Cocoa Board.

From the interview, we were able to establish that, Dickson (1966) gave much prominence to some criteria in the vendor selection, most companies choose the criteria points which mostly suit them. What the two companies established was the political stability, financial stability, performance history, negotiability, and the position of the client company in the industry as the yardstick when it comes to supplier choice in the importation process. There are several resources, materials and academic works of literature which deal with cocoa and therefore complying with and extracting the relevant information for this thesis was difficult. Scanning through the website of ICCO every other day to check for any latest information regarding the product was also challenging.

As cocoa beans are extremely specific goods, one understands the various processes they go through before and after their importation. A total understanding of the significant business life of this product is challenging as well. Various phone calls are to be made to these companies to get abreast with this importation process by way of a questionnaire. We prepared the questionnaire to extract some specific answers as part of our research. The language barrier also had its toll on us as the various information needed from the Finnish site was all in the Finnish language and we had to rely on a good friend to help us in translating and explaining most of the words to us.

The most interesting part of the whole thesis was finding out how cocoa bean pricing is determined. It was completely new to read about hedging and how companies and individuals need to deposit a certain premium before they are even allowed to trade in this precious good. To conclude, we would like to state here that, though the companies used documentary credit as a method of paying because it was their first transaction, this should quickly be replaced with an alternative method as any small detail missing could cost a lot of money.

The topic of this thesis is a broad subject area which needs lots of time to digest the whole spectrum of the various elements which combine to form the basis of the importation process as an entity. Though our topic is about the importation of cocoa beans, further studies can also be done to deal with specifics about the whole importation process. For example, there could be a whole new thesis about the purchasing procedure within the importation process. It is no doubt that Africa supplies the bulk of the world's cocoa beans (72%), but what companies want and need when choosing a supplier could be a whole new area of research.

Often, we always look at the pre-importation phase and are often silent about the post-importation phase. It will be more interesting if further work could be carried out about the post-importation phase to evaluate to a larger extent the degree at which this phase could be (success verse reality).

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APPENDIX 2

Oy Karl Fazer Oy
Koncern ledning
Fazersvagen 6, Vanda
PB 4
FI-09441 Helsingfors
Finland

DATE 16TH April 2023.
TERMS
CIP port Of Helsinki,

SHIP VIA CARGO SHIP ADDRESS

PRODUCE BUYING

Private Mail Bag
Accra North, GHANA

Finland

CORRESPONDENCE TO

COMPANYLTD

Sales Tax Rate 24%

QTY	**UNIT**	**DESCRIPTION**	**UNIT PRICE**	**AMOUNT**
50	176956	Cocoa Beans Grade FCA in one sealed bag oof 50 kg	3076.42 USD per ton	358,13
150	174562	Cocoa Beans Grade FCA in 3 sealed bags of 50kg each	3011.33 USD per ton	451,70
1	PREMIUM	Fair Trade Premium	300,00	300,00
1	TRANS	Transportation Takoradi Part-Helsinki port	600,00	600,00
			Subtotal	1715,83

PLEASE NOTIFY US IMMEDIATELY IF THIS ORDER CANNOT BE SHIPPED COMPLETE ON OR BEFROE Hutikuu 1, 2023	**SHIPPING TAX ORDER**		

TOTAL **$715,83**

SHIP TO Oy Karl Fazer Ab
Koncernledning

Oy Karl Fazer Ab
Koncernledning
Fazersvägeb 6, Vanda
28th April 2023
PB 4
FI – 00941
Helsingfors
Finland
Produce Buying Company Ltd
Private Mail Bag
Accra – North
Ghana
Oy Karl Fazer Ab., hereinafter referred to as Seller, and Produce Buying Company Ltd, hereinafter referred to as Buyer, hereby agree on this 28th day of April, in the year 2023, to the following terms. The present contract of sale will be governed by these Specific Conditions (to the extent that the relevant boxes have been completed) and by the ICC General Conditions of Sale (Manufactured Goods Intended for Resale) which constitute part B of this document.

1- Identities of the Parties

Seller, whose business address is Private Mail Bag Accra – North Ghana, is in the business of selling cocoa beans. Buyer, whose business address is Koncernledning Fazersvägeb 6, Vanda PB 4 FI – 00941 Helsingfors, Finland is in the manufacturing of Chocolate in Finland.

2- Description of the Goods

Seller agrees to transfer and deliver to Buyer, on or before 28th April 2023, the below-described goods:
-. Grade 1- 50kg cocoa beans packed in sealed bags not heavier than 50kg.
- Grade II -150kg cocoa beans packed in sealed bags not heavier than 50kg

APPENDIX 2/2

3- Contract Price
The agreed price for CIP Helsinki is 1715.83 € (one thousand seven hundred and fifteen euros and eighty-three cents).

5- Payment conditions

The agreed method of payment is the documentary credit. The issuing bank is Nordea Bank in Helsinki, and the advising bank is HSBC Bank United Kingdom.

6- Documents

The following documents are required:
- transport documents: Air Waybill (AWB), in one original
- signed commercial invoice: in two originals and two copies
- certificate of origin: in one original
- packing list: in two originals and two copies
- insurance document: in two originals and two copies

7- Cancellation date

If the goods are not delivered for any reason whatsoever (including force majeure) by 30 days from the signature of the contract the buyer will be entitled to cancel the contract immediately by notification to the seller.

8- Liability for delay

The liquidated damages for delay in delivery shall be 5% (of price of delayed goods) per week, with a maximum of 15% (of price of delayed goods) in total.

9- Limitation of liability in lack of conformity

No lack of conformity accepted.

10- Time bar
Any action for non-conformity of the goods must be taken by the buyer not later than 4 days from the date of arrival of the goods at destination.

11- Resolution of dispute
The place of arbitration, according to ICC (art. 14.1), is Helsinki, Finland
Ofori Amponsah, Markus Lindström

APPENDIX 3

Several documents are needed for a documented collection transaction.

i. The order of documentary collection

It is created by the purchaser and outlines the terms and circumstances for the bank's provision of papers to the purchaser in return for money.
The negotiable bill of lading, second
This is the transport document, which was previously covered in the section on shipping paperwork.

iii. The importer's or purchaser's documentation bundle

It is created by the exporter for the importer to secure the cargo and clear customs in Africa, and may comprise inspection, insurance, and other documentation in addition to at least a commercial invoice and a certificate of origin.

iv. The draft or bill of exchange It refers to the seller's written demand for payment that is included with the documents given to the buyer.

Nine more documents are needed for a documentary credit:
Application for a letter of credit (L/C)
It is created by the buyer for the bank to open a letter credit with the exporter listed as the beneficiary. It also outlines the criteria under which the bank is required to gather documentation and continue with the payment.

ii. The credit letter

It is issued by the buyer's bank and sent, together with the terms of the payment, to the exporter's bank.

iv. Letters of credit notices or advise.
The seller's bank produced this paperwork for the seller, outlining the conditions and
This is issued by the exporter in case he/she wants to change a term or condition of the letter of credit.

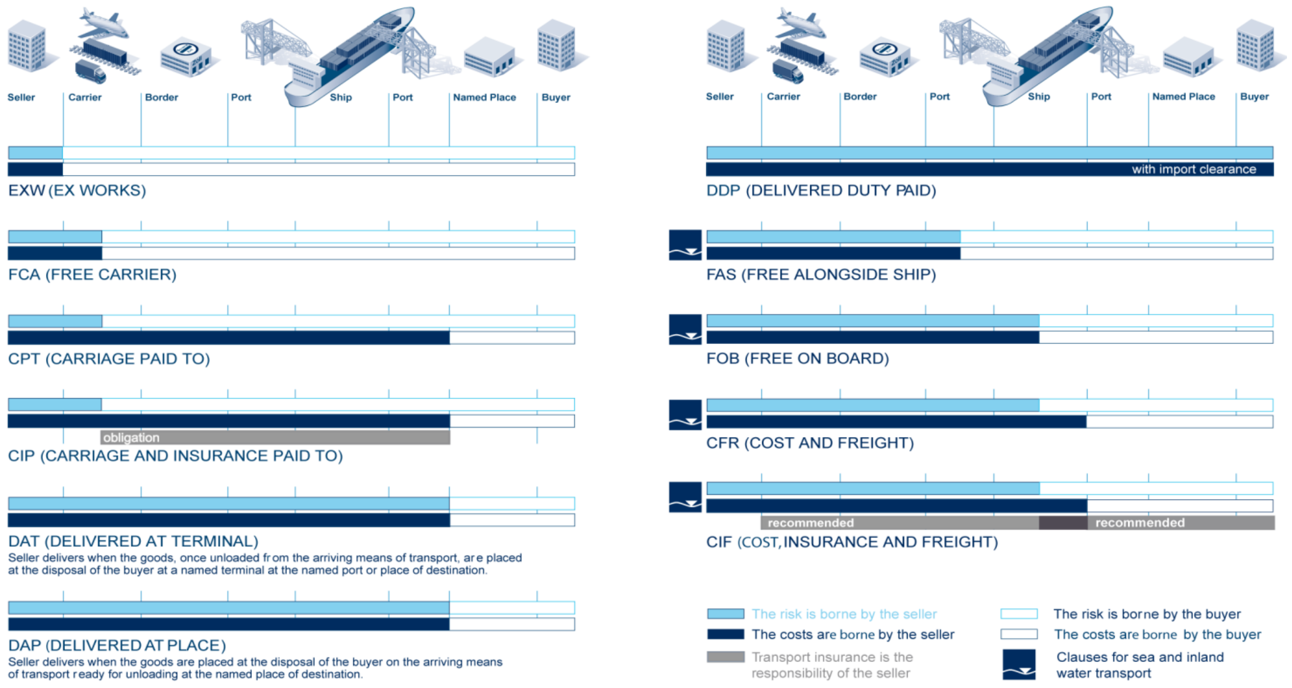
v. The amendment to the L/C.
This formal document, adding the terms of the amendment to the existing letter of credit, is issued by the importer’s bank.
vi. The amendment notification to the L/C.
Issued by the exporter’s bank notifying the amendment to the seller.
vii. The negotiable bill of lading.
Same as in the documentary collections
viii. The document package for the importer or buyer.

Same as in the documentary collections

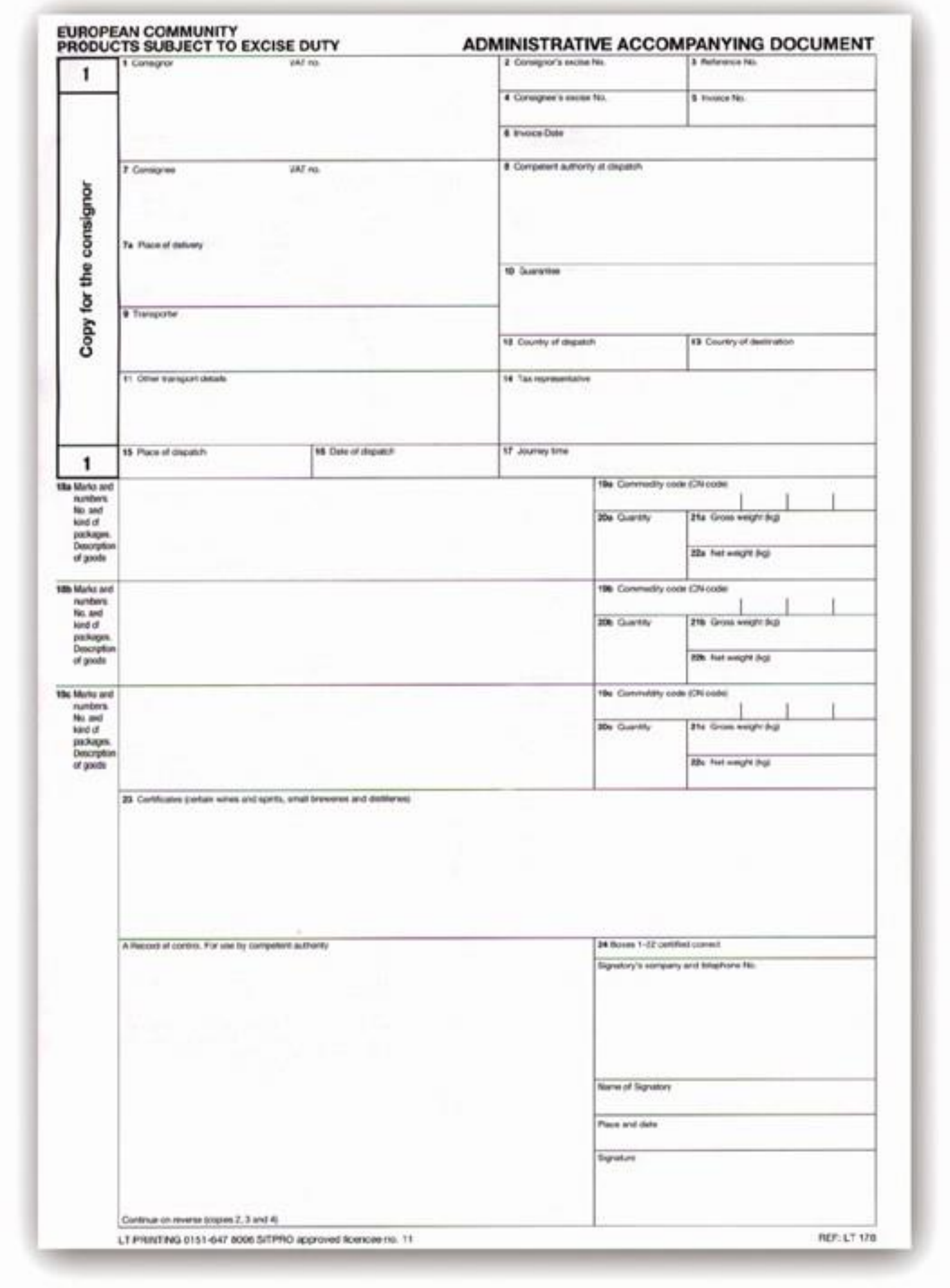
ix. The draft or bill of exchange.

Same as in a documentary collection
(Hinkelman 2008b, 76-98.)

APPENDIX 4


Seller
Carrier
Border
Port
Ship
Port
Named Place
Buyer
EXW (EX WORKS)
FCA (FREE CARRIER)
CPT (CARRIAGE PAID TO)
obligation
CIP (CARRIAGE AND INSURANCE PAID TO)
DAT (DELIVERED AT TERMINAL)
Seller delivers when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at a named terminal at the named port or place of destination.
DAP (DELIVERED AT PLACE)
Seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination.
with import clearance
DDP (DELIVERED DUTY PAID)
FAS (FREE ALONGSIDE SHIP)
FOB (FREE ON BOARD)
CFR (COST AND FREIGHT)
recommended
recommended
CIF (COST, INSURANCE AND FREIGHT)
The risk is borne by the seller
The costs are borne by the seller
Transport insurance is the responsibility of the seller
The risk is borne by the buyer
The costs are borne by the buyer
Clauses for sea and inland water transport

APPENDIX 5



EUROPEAN COMMUNITY
PRODUCTS SUBJECT TO EXCISE DUTY

ADMINISTRATIVE ACCOMPANYING DOCUMENT

1

Copy for the consignor

1 Consignor VAT no.

2 Consignor's excise No.

3 Reference No.

4 Consignee's excise No.

5 Invoice No.

6 Invoice Date

7 Consignee VAT no.

7a Place of delivery

8 Competent authority at dispatch

9 Transporter

10 Guarantee

11 Other transport details

12 Country of dispatch

13 Country of destination

14 Tax representative

1

15 Place of dispatch

16 Date of dispatch

17 Journey time

18a Marks and numbers. No. and kind of packages. Description of goods

19a Commodity code (CN code)

20a Quantity

21a Gross weight (kg)

22a Net weight (kg)

18b Marks and numbers. No. and kind of packages. Description of goods

19b Commodity code (CN code)

20b Quantity

21b Gross weight (kg)

22b Net weight (kg)

18c Marks and numbers. No. and kind of packages. Description of goods

19c Commodity code (CN code)

20c Quantity

21c Gross weight (kg)

22c Net weight (kg)

23 Certificates (certain wines and spirits, small breweries and distilleries)

A Record of control. For use by competent authority

24 Boxes 1–22 certified correct

Signatory's company and telephone No.

Name of Signatory

Place and date

Signature

Continue on reverse (copies 2, 3 and 4)

LT PRINTING 0151-647 8006 SITPRO approved licencee no. 11

REF: LT 178

APPENDIX 6

TULLI
TULL·CUSTOMS

1. Name and address of taxpayer		4. Name and address of representative
2. Business ID or personal identification number	3. Supplementary part of customer number	5. Business ID of representative
6. Reference mark indicated by customer		7. Name of previous vehicle owner
8. Entered in VAT register ☐ Yes ☐ No	9. Date of taxation	10. Date of taxation based on the date of ☐ tax declaration ☐ registration
11. Territory of purchase	12. Valuation date	13. Valuation date based on the date of ☐ taxation ☐ vehicle transfer document for new vehicle

VEHICLE DATA

14. Type of vehicle

☐ Passenger car M1	☐ Delivery van N1	☐ Motor cycle L3	☐ Motor cycle with side-car L4
☐ Tricar L5	☐ Four-wheel L7	☐ Bus M2	☐ Other (to be specified under Additional information)

15. Vehicle is ☐ new ☐ used	16. Date of first use	17. VIN number		
18. Make and model		19. Unladen mass (kg)	20. Total mass (kg)	21. Carrying capacity
22. CO2 emission (g/km)		23. ☐ I demand that the tax be assessed on the basis of the established CO2 emission (emission certificate to be enclosed to this tax declaration)		

DATA ON NEW VEHICLE

24. Identifier	€
25. Recommended retail price excluding car tax declared by customer	€
26. VAT base of new transport vehicle in €	€
27. Identifier value	€
28. Recommended price of optional equipment excluding car tax	€
TOTAL	€

BASIS OF TAX REDUCTION OR EXEMPTION

29.
☐ Delivery van entitled to tax reduction (Section 8 of the Car Tax Act)

☐ Removal vehicle	☐ Veterinary van	☐ Rescue van	☐ Hearse
☐ Diplomatic vehicle	☐ EC institution	☐ Touring car	☐ Other (description under Additional information)
☐ Medical vehicle	☐ Invalid taxi	☐ Taxi car	30. Number of operating licence

31. Additional information

32. Date	33. Signature and telephone number

Notes by the tax authority

SIS Issuance date of permit to drive

Customs Form No. 72e-1.4.2009

APPENDIX 7

Certificate of Origin Template

Certificate of Origin

Exporter Name and Address **Tax Identification Number**	**Blanket Period:** (DD/MM/YYYY) **FROM:** **TO:**
Producer Name and Address **Tax Identification Number:**	**Importer Name and Address:** **Tax Identification Number:**

Description of Good(s)	TARRIF CLASSIFICATION NUMBER	PREFERENCE CREITERION	PRODUCER	NET COST	COUNTRY OF ORIGIN

I CERTIFY THAT:

- Information provided in this certificate is based on facts and is accurate and I assume the responsibility for proving such representations. I understand that I am liable for any false statement or material omission made on or in concern with this document.
- I agree to maintain and present upon request documentation necessary to support this certificate and to inform, in writing, al persons to whom this certificate was given of any changes that would affect accuracy or validity of this certificate.
- This certificate consists of ________________ pages including all attachments

Authorized Signature:		COMPANY:	
Name: (Print or Type)		**TITLE:**	
Date: DD/MM/YYYY	**Ph:** xxxxxxxxxxxxxxx	**Fax:** xxxxxxxxxxxxxxxxxx	**Customs Form:**

APPENDIX 8

Nazwa i adres producenta	**ŚWIADECTWO ODBIORU** **Inspection certificate** **Wg PN-EN 10204** **Rodzaj 3.1**

Nazwa i adres zamawiającego	Nazwa i adres odbiorcy	Miejscowość, data Numer dostawy Numer zamówienia Numer referencyjny Waga dostawy [kg]

Opis wyrobów: *Pręty żebrowane gorącowalcowane okrągłe*
Przeznaczenie: *Do zbrojenia betonu*
Gatunek stali: *B500SP*
Norma: *PN-H-93220:2006*

Numer wytopu	Wymiar [mm]	Długość [m]	Ilość wiązek [szt.]	Waga [kg]

Skład chemiczny

Nr wytopu	C %	Mn %	Si %	P %	S %	Cu %	Cr %	Ni %	Mo %	V %	N %	C_{eq} %

Własności mechaniczne

Nr wytopu	Re nom MPa	Rm nom MPa	Rm/Re -	A5 %	Agt %	Zginanie z odginaniem

Numery norm/aprobat technicznych: *PN-H-93220:2006, nr i data ważności certyfikatu zgodności*

Oświadczenia producenta: *Wyrób jest zgodny z normami i innymi dokumentami powołanymi w treści niniejszego świadectwa odbioru.*

Imię, nazwisko i stanowisko osoby odpowiedzialnej: *Upoważniony przedstawiciel kontroli wytwórcy, niezależny od wydziału produkcyjnego.*

APPENDIX 9

CENTRIA UNIVERSITY OF APPLIED SCIENCES

IMPORTATION OF COCOA BEANS FROM GHANA TO FINLAND

INTERVIEW QUESTIONS

1. Are you aware of any trade relationship between Ghana and Finland and what is your take on it?
2. Are you familiar with the EU directive on the importation of cocoa beans?
3. What does your company consider when selecting a new supplier?
4. What other factors affect supplier choice?
5. Which payment method does your company mostly use and why?
    - Open Account
    - Documentary Credit
    - Letter of Credit
    - Cash-in-Advance
6. What are the prospects of entering into the Finnish market?