

Date: 27<sup>th</sup> March-2026

**PROBLEMS OF CLASSIFICATION OF GROUP 18 OF THE CN FEA (COCOA AND PRODUCTS THEREFROM)**

**Zaynab Sayfullayeva**

Tashkent chemical-technological insitute, Uzbekistan

**Makhmud Khamrakulov**

Tashkent chemical-technological insitute, Uzbekistan

**Gofurjon Khamrakulov**

Tashkent chemical-technological insitute, Uzbekistan

**Abstract.** This article examines the key challenges associated with the classification of goods in Group 18 of the Commodity Nomenclature of Foreign Economic Activity (CN FEA), which includes cocoa and cocoa-based products. The study highlights the complexity of classification due to the diverse composition of products, the presence of additives, and the overlap with other commodity groups. Particular attention is given to the difficulties in classifying processed and multi-component products, especially those falling under heading 1806 (chocolate and other cocoa-containing products).

**Keywords:** CN FEA, cocoa products, classification, customs regulation, chocolate, international trade, commodity nomenclature, statistical analysis.

Group 18 of the Commodity Nomenclature for Foreign Economic Activity (CN FEA), which includes cocoa and its processed products, occupies a key position in global food trade. The importance of this group is confirmed by the scale of the global market: according to analysts, the global cocoa bean market was worth approximately \$15.3 billion in 2023 and could reach \$26.75 billion by 2032, with an average annual growth rate of 6.4%. The chocolate market, meanwhile, was valued at approximately \$125 billion in 2024, underscoring the high economic significance of Group 18 products and the need for their accurate classification.

Despite this, the classification of goods in this group presents a number of significant challenges due to the complexity of the product composition, the variety of forms of production, and the overlap with other product groups. Group 18 includes both raw materials (cocoa beans, cocoa butter) and finished products (chocolate, cocoa-containing products), which creates the potential for ambiguity.

One of the key challenges is the classification's dependence on the chemical composition of the product. Current trends indicate that the cocoa product market is actively developing and diversifying: for example, the cocoa derivatives market is expected to reach \$51.8 billion in 2024. This means the emergence of a large number of new products with various additives, complicating their assignment to specific HS codes.

For clarity, let's look at the main segments of the cocoa product market:

Product	Type	Average Annual Growth	World Market Size (2024)	Average Annual Growth
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Date: 27<sup>th</sup> March-2026

Cocoa beans	\$15.3 billion	6.4%
Cocoa powder	\$22.2 billion	4.8%
Cocoa derivatives	\$51.8 billion	3.4%
Chocolate	\$125 billion	~3.3%

As the table shows, products vary not only in composition but also in the scale of production and consumption, which increases the need for accurate classification.

Another important issue is the overlap between Group 18 and other HS groups. This is due to the fact that cocoa is used as an ingredient in a wide range of goods, from confectionery to beverages. For example, chocolate products with added flour can be classified in Group 19, while cocoa-based beverages can be classified in Group 22. The growing diversity of products is confirmed by statistics: the global cocoa product market in 2024 was approximately \$29.89 billion and continues to grow. This leads to an increase in classification disputes.

Additional difficulties arise when classifying combined products. The modern market is demonstrating a steady trend toward more complex recipes: manufacturers add nuts, caramel, dairy components, and flavorings. As a result, the same product may meet the characteristics of several commodity headings. In such cases, the principle of determining the main component is applied; however, in practice, this often leads to disputes between declarants and customs authorities. Classifying goods under heading 1806 (chocolate and other products containing cocoa) presents particular challenges. This heading accounts for the largest market share. For example, some countries are seeing growth in chocolate production: for example, production of chocolate and cocoa products increased by 8% in 2024, reaching 1.35 million tonnes. This increase in production volume is accompanied by an expansion in product range, making it difficult to select the correct code.

An additional factor influencing classification is price fluctuations in the cocoa market. In 2024, there was a sharp rise in cocoa bean prices, leading to higher prices for chocolate products and a shift in demand. In response, manufacturers have begun to increasingly use substitutes and modify recipes, which directly impacts product classification.

The main factors influencing classification errors.:

Factor	Problem Statement	Consequences
Change in composition	Additives, Cocoa Substitutes	Incorrect code
Overlapping groups	Assignment to Groups 17, 19, 21, 22	Disputes with customs
Complex products	Multi-Component Products	Difficulty in choosing a position
Lack of information	No Exact Composition	Need for expert review
Market changes	Price Rise and Recipe Changes	Frequent reclassification



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Thus, statistical data confirms that as the global cocoa and chocolate market grows, so does the complexity of product classification. Increasing production volumes, expanding product ranges, and changing processing technologies create additional risks of errors.

To address these issues, it is necessary to improve classification practices. This includes the wider use of laboratory methods for analyzing product composition, applying explanatory notes to the HS Code, and obtaining preliminary rulings from customs authorities. Furthermore, improving the qualifications of specialists in foreign economic activity plays an important role.

In conclusion, it should be noted that the classification issues of Group 18 of the HS Code are complex and closely linked to the dynamic development of the global cocoa product market. Statistical data indicate industry growth and increasing product complexity, which requires a more in-depth and systematic approach to classification. Correctly determining the HS Code is becoming not only a legal obligation but also an important factor in the economic efficiency of foreign economic activity.

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