CBI MARKET SURVEY

THE COFFEE, TEA AND COCOA MARKET IN THE EU

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REPORT SUMMARY

This CBI market survey profiles the coffee, tea and cocoa market in the EU. The coffee, tea and cocoa markets in individual EU countries are discussed in separate market surveys. Those market surveys, as well as EU export marketing guidelines for coffee, tea and cocoa can be downloaded from http://www.cbi.eu/marketinfo.

Consumption and trends
In 2008, total EU coffee consumption amounted to 2.4 million tonnes, representing an average EU per capita consumption of 5.0 kg. This indicated a small decrease between 2004 and 2008 of 0.8% annually. Germany, Italy and France are the main consuming countries, accounting for over 50% of EU consumption. Sustainable coffee (Organic, Fairtrade, Utz Certified and Rainforest Alliance) are becoming more important in the market, gaining increasing market shares. According to the Tropical Commodity Coalition (TCC, 2009), certified coffees accounted in 2002 for around 1% of the total market while this increased to almost 8 million bags or 6% of the market in 2008.

In 2008, the EU consumed 251 thousand tonnes of tea, of which 130 thousand tonnes was consumed in the United Kingdom (International Tea Committee, 2009). Other leading EU markets for tea are Poland, Germany, France, Ireland and The Netherlands. In terms of per capita consumption, tea is most popular in Ireland, the United Kingdom and Malta. In general, tea consumption in the EU shows a very small increase, although tea consumption in Poland and Ireland was decreasing in 2008. On the other hand, consumption in the UK is increasing again and consumption in countries where tea was traditionally hardly consumed, such as Greece and Portugal, is increasing strongly. The leading EU markets for organic tea are the United Kingdom and Germany. Fairtrade tea is consumed most in the UK. The certified tea market is much less developed than the certified coffee market but with Utz Certified and Rainforest Alliance also entering this market it is expected this will change.

In order to assess the demand for cocoa beans, total grindings per country are an important determinant. Almost 40% of global cocoa bean supplies are ground in the European Union, amounting to a volume of 1.44 million tonnes in the cocoa year 2008/09. The most important cocoa-grinding EU member countries are The Netherlands and Germany. Other countries which have considerable cocoa-grinding facilities are France and the United Kingdom. Grindings are increasing faster than the apparent internal consumption of cocoa products in the EU, as discussed below, due to exports of processed cocoa products, especially to Russia.

In 2007/2008, apparent consumption in the EU amounted to 1.41 million tonnes, an increase of 1.9% annually since 2003/2004. The largest consumers are Germany, France and the UK. According to industry sources, organic products still account for a small share of the total market, but this share is steadily increasing and is growing rapidly in the EU. Currently, about 0.5% of the cocoa market worldwide can be considered to be produced organically (ICCO, 2009). According to Tropical Commodity Coalition, the expected availability of certified cocoa in 2010 is 26,000 tonnes, up from around 20,000 tonnes in 2009.

Chocolate confectionery is very popular in Ireland, the United Kingdom, Belgium and Germany, all having a per capita consumption of 9 kg or higher in 2007. In the same year, total consumption amounted to 2.5 million tonnes and it is expected that this will continue to increase. Organic cocoa products still account for a small share of the total market, but this share is also increasing rapidly.

Important trends influencing the EU market for coffee, tea and cocoa are:
- The trend towards convenience and smaller portions has led to an increasing demand for products like instant coffee, coffee and tea pods, chocolate bars, tea-for-one bags, iced tea and coffee, etcetera.

- An increasing awareness of the environmental and social aspects of production led to greater importance of 'sustainable' coffee, tea or cocoa, including organic, Fairtrade, Utz Certified, and other certification schemes. A "Common Code for the Coffee Community" (4C) and a 'Sustainable Coffee Initiative' have also received support. Although certified markets are still limited in size, obtaining certification for coffee, tea and cocoa improves the market entry possibilities in the EU.
- Parallel to the trend towards organic certification is the trend among EU consumers towards a healthy life-style and, consequently, increased consumption of health food.
- Moreover, European consumers are calling for more variety and specialties. Premium products are an important component of this trend.

The current economic downturn in many EU countries has influenced the coffee, tea and cocoa markets in various ways. On the one hand, consumers focus more on lower priced products while, on the other hand, the sales of premium (quality) coffee, tea and cocoa still showed growth. In countries where consumption of these products is not yet well established the consumption of coffee and chocolate and, to a lesser extent tea, a slowdown in market development can be observed. Thirdly, it will renew the interest of the at-home consumption of coffee and tea, at the expense of the out-of-home market.

Production
Because of climatic conditions, no production of coffee, tea and cocoa beans takes place within the EU. However, coffee and tea are processed in the EU. The processing companies buy the raw material from developing country producers and therefore do not compete directly with developing countries on the market. Developing countries do not play a relevant role in the EU market for roasted coffee and tea blends.

The EU is a major grinder of cocoa beans imported from developing countries, accounting for 40% of world grindings, and is therefore a competitor to developing countries on the markets for processed cocoa products. The Netherlands is the leading grinder and is also the world's leading producer of processed cocoa products. Germany, France and the UK also have large production facilities. Germany, in particular, is becoming a more important processor.

Trade structure
In general, traders are the most important trade channel for all three products for developing country producers, but in certain cases local agents of EU buyers, or EU processors (coffee roasters, tea blenders and cocoa grinders), can also be an interesting channel. Vertical integration in the trade structures for coffee, tea and cocoa is significant.

Regarding organic products, the main organic traders which are mostly located in Germany and The Netherlands, are probably the most important trade channel. Regarding Fairtrade, the main importers are located in Germany, The Netherlands, the UK and France. UTZ-certified and Rainforest Alliance are mainly working with the larger mainstream players and brands and are therefore traded through the conventional channels.

Imports
Between 2004 and 2008, imports of green coffee increased by 18% annually in value, and by 1.4% in volume, amounting to € 5.7 billion / 3.0 million tonnes in 2008. Germany is the leading EU importer, followed by Italy and Belgium. Imports mostly come directly from developing countries, the most important suppliers being Brazil, Vietnam and Colombia, from which direct imports account for 90% of total imports in value.

Imports of roasted coffee from developing countries amounted to only € 19 million / 5.9 thousand tonnes in 2008. Between 2004 and 2008 the value of these imports increased by 4.0% while the volume showed an annual decrease of 0.3%. Organic coffee is mainly sourced in Latin America.

Imports of tea into the EU increased between 2004 and 2008 by 5.2% annually, amounting to € 889 million / 348 thousand tonnes. The five main importers of black tea are the United Kingdom, Germany, France, The Netherlands and Poland. A high increase in imports is observed in the East European countries, with Poland and the Czech Republic as the 5th and 10th largest importers, showing an annual growth of 6.7% and 17% respectively. Bulgaria (+48%), and Romania (+28%) show the largest growth, but their markets remain rather limited.

56% of EU tea imports is sourced directly in developing countries, while the remainder consists of re-exports by other EU member countries.

In terms of value, all EU imports of cocoa, with the exception of cocoa powder, increased in value between 2004 and 2008. When expressed in volume, all imports increased. Imports increased by 3.0% in volume for cocoa beans, 4.4% for cocoa paste, 3.6% for cocoa butter and 3.0% for cocoa powder between 2004 and 2008. The Netherlands, Germany, Belgium and France are the leading importers of cocoa beans and derivate products.

Almost 86% of the imports of cocoa beans originates directly in developing countries. Re-exports are gaining in importance, however, especially through Belgium. The role of developing countries for paste and butter is also large. However, powder imports come mostly, and increasingly, from EU countries.

Prices
Prices for coffee, tea and cocoa are global market prices, determined either in futures markets (coffee and cocoa) or largely at auctions (tea). Prices for coffee are still favourable and it is expected this will remain the case in 2010. The tea auctions recorded record-breaking prices for tea in 2009. Although it is expected this situation will ease over 2010, they are still expected to remain higher than in the previous years. Prices for cocoa beans also increased due to speculation on market shortages. It is difficult to predict price developments for 2010 as the market remains very volatile.

INTRODUCTION

This CBI market survey profiles the coffee, tea and cocoa market in the EU. The emphasis of the survey lies on those products, which are of importance to developing country suppliers. The role of, and opportunities for, developing countries are highlighted.

This market survey discusses the following product groups:

- Coffee
  - Green coffee (Arabica and Robusta varieties)
- Tea
  - Black tea (including Oolong tea)
  - Green tea (including White tea)
- Cocoa
  - Cocoa beans
  - Cocoa paste
  - Cocoa butter
  - Cocoa powder

Because the market share of developing countries in the roasted coffee market is very limited, this survey focuses on green coffee. However, consumer trends first influence roasted coffee and the trade structure of roasted coffee has an influence on the trade of green coffee, some relevant information on roasted coffee is also mentioned.

For detailed information on the selected product groups, please consult appendix A. More information about the EU can be found in appendix B.

CBI market surveys covering the market in specific EU member states, specific product (group) s or documents on market access requirements can be downloaded from the CBI website. For information on how to make optimal use of the CBI market surveys and other CBI market information, please consult 'From survey to success - export guidelines'. All information can be downloaded from http://www.cbi.eu/marketinfo Go to 'Search CBI database' and select your market sector and the EU.

1 CONSUMPTION

1.1 Market size

Introduction and notes
This chapter discusses the consumption of coffee, tea and cocoa. Two remarks need to be made to clarify the set-up of this chapter.

Firstly, the focus will be specifically on the markets for sustainable coffee, tea and cocoa, because organic, Fairtrade, and other certification schemes offer exporters in developing countries promising opportunities. These markets grow faster, offer a premium, and traded volumes are smaller than in the conventional market, which makes it more interesting for DC exporters. Although these markets are still relatively small compared to the conventional market, having certification in place improves your market access in the EU. It shows EU buyers that producers are able to work according to a certain quality and to introduce a quality management system in their production processes.

Secondly, coffee, tea and cocoa are almost always further processed in the EU. Only very little coffee and tea ready for human consumption is imported in the EU. Coffee is roasted in the EU, while tea is blended in specific blends preferred by EU consumers. Opportunities for developing countries for processed products remain very limited. Regarding coffee and tea, data on final consumption by EU citizens is available, while data on industrial demand from EU roasters and blenders is not. Therefore, the information below concerns final consumption of tea and coffee by EU consumers. Several considerations are therefore relevant when reading this information:

- Important to note is that the consumption figures listed below do not necessarily fully translate into comparable industrial demand figures for green coffee and for tea as some countries have small or no processing industries. For example, in the Baltic states the only large coffee roaster is located in Latvia. As such, roasting activities in Estonia and Lithuania are very limited. Therefore, an increase in coffee consumption in Estonia will mostly translate into an increase in roasted coffee imports, predominately from Latvia and Sweden. An example for tea is Ireland. Half of its tea needs are blended locally while the remainder is imported from the UK. Increasing consumption will therefore result in increasing industrial demand in both countries.
- A second consideration is that coffee and tea are, to a considerable extent, traded through the main EU trading centres and not always directly into consuming countries. The main tea trading centres are the UK and Germany and, to a lesser extent, The Netherlands and France. For coffee, these are France, Spain, Belgium, The Netherlands, Sweden, the UK, but especially Germany and Italy. Other countries less often import directly from developing countries but are partly supplied by EU traders. Therefore, rising consumption in one country does not always translate into increased opportunities for developing countries in that particular EU country.

Cocoa is a food ingredient which is further processed into chocolate, confectionery and beverages. In contrast, consumption of cocoa is unknown, due to the fact that cocoa products are processed in a large range of products. However, EU grindings, combined with the imports of processed cocoa products, offer a good indication of industrial demand. Still, as cocoa is also traded through main trading centres, increasing industrial demand does not necessarily translate in increasing opportunities for developing countries.

Coffee
Coffee is mainly consumed in the developed countries of the northern hemisphere, and much less in the producing countries in the South, except for Brazil and Ethiopia. Between 2004 and 2008, EU coffee consumption decreased by an average annual rate of 0.8%. In 2008, total consumption amounted to 2.4 million tonnes or 5.0 kilos per capita. The EU accounts for a third of global coffee consumption, which is twice as large as the consumption in the United States (International Coffee Organisation (ICO, 2009).

Consumption in Germany decreased in the review period, as the record year 2004 was not equalled in the later years. Consumption in France and Italy show modest growth, while consumption in Spain and the UK showed considerable growth. The Netherlands consumption showed a large decrease after 2006 leading to an annual average decrease of 9.6% in the full review period. Together, Germany, France and Italy accounted for over 50% of total EU consumption in 2008.

Table 1.1 EU consumption of coffee, 2004-2008, total in 1,000 tons, per capita in kg per annum, average annual change in % of total coffee consumption

	2004		2006		2008		Average annual change
	total	per capita*	total	per capita*	total	per capita*	
Total EU	**2,472**	**5.1**	**2,457**	**5.0**	**2,392**	**5.0**	**-0.8%**
Germany	627	7.6	549	7.6	573	7.6	-2.2%
Italy	328	5.7	336	5.6	356	5.5	2.1%
France	296	4.8	317	4.7	309	4.6	1.1%
Spain	162	3.8	181	3.7	209	3.6	6.5%
United Kingdom	147	2.5	184	2.4	184	2.4	5.8%
The Netherlands	119	7.3	128	7.3	79	7.2	-9.6%
Sweden	74	8.2	79	8.2	76	8.1	0.8%
Poland	137	3.6	117	3.6	71	3.6	-15%
Finland	62	12	63	12	67	12	1.9%
Greece	52	4.7	51	4.7	59	4.7	2.9%
Austria	60	7.3	37	7.2	54	7.2	-2.3%
Romania	49	2.3	50	2.3	48	2.3	-0.3%
Portugal	41	3.9	40	3.9	44	3.9	1.8%
Denmark	51	9.4	49	9.4	42	9.3	-4.6%
Belgium	84	8.1	92	8.0	39	7.9	-17%
Czech Republic	36	3.6	38	3.5	37	3.5	0.7%
Hungary	42	4.2	36	4.2	30	4.2	-8.6%
Bulgaria	22	2.8	25	2.8	27	2.9	5.2%
Slovakia	17	3.2	17	3.2	20	3.1	4.8%
Lithuania	12	3.4	13	3.5	12	3.5	0.9%
Luxembourg	7.0	15	7.3	15	12	15	15%
Slovenia	11	5.6	11	5.5	12	5.5	1.2%
Estonia	7.7	5.7	10	5.8	9	5.8	4.5%
Ireland	14	3.4	12	3.2	7	3.1	-15%
Latvia	9.3	4.0	11	4.1	7	4.1	-7.2%
Cyprus	3.6	4.9	3.3	4.7	5	4.6	6.4%
Malta	1.0	2.4	1.7	2.4	1	2.3	9.5%

*Per capita consumption is based on calculations using Eurostat population figures and ICO consumption figures.
Source: ICO, 2009

According to ICO, coffee consumption is traditionally higher in Nordic countries, especially Finland, with per capita consumption amounting to 12 kg per capita in 2008. Other EU member countries with high per capita consumption are especially Luxemburg, Austria, Belgium and The Netherlands.

Within the EU, the most important forms in which coffee is consumed are:

- *Ground roasted coffee* - this coffee, used for filter coffee systems, or in coffee pods, is still the principal type of coffee consumed in the EU.
- *Roasted coffee beans* – With the increasing prevalence of espresso and cappuccino systems sold for use in the household, direct sales of roasted coffee beans are increasing fast. The increasing number of coffee bars is also strengthening this trend.
- *Decaffeinated coffee* – the International Trade Centre (ITC) estimated that decaffeinated coffee accounts for around 10% of all coffee sales. However, there is a large range between EU countries in this percentage. In several countries, including Nordic countries such as Finland (1%) Denmark and Sweden, and Portugal (4%), decaffeinated coffee is not very popular. In France (7%), Germany (8%), Italy (6%) and Austria (6%) decaffeinated is

somewhat more consumed. The main consuming countries are The Netherlands (12%), the United Kingdom (13%), Belgium (14%) and Spain (19%) (ITC, 2008). Decaffeinated coffee is losing share, as caffeine no longer appears to be an issue of particular concern to most consumers. However, in some South European countries decaffeinated is still an ongoing trend and light-caffeine coffees are gaining ground in several European markets. With production predominately taking place in the EU, this is of limited interest to developing country producers.

- *Soluble or instant coffee* – The share of soluble coffee in the total coffee consumption varies considerably among EU member countries; in Germany, soluble coffee comprises less than 8% of total coffee consumption, whereas in the United Kingdom and Ireland, both typically tea-consuming nations, this share amounts to about 80%, although as coffee consumption is becoming more sophisticated, this is decreasing. In the EU as a whole, soluble coffee consumption is increasing by around 0.2% annually. As soluble coffee consumption is decreasing in its main market, the UK, growth can be mostly ascribed to East European countries (ITC 2008). Among developing countries, it is mostly Brazil which plays a role supplying this segment, with actual production predominately taking place in Europe.
- *Ready-to-drink coffee* – Less important than in the US market, but emerging in the EU along with the trend towards convenience food product, are ready-to-use coffee drinks like iced coffee. These are mostly produced in the EU. This is also of importance in the catering sector.
- *Flavoured coffee* – An interesting and fast-growing area of the market is flavoured coffees. These unique coffee blends are increasingly popular and are already available in more than 150 different coffee flavors like vanilla, nutmeg and various fruit types. The process usually involves treating the freshly roasted beans with chemical flavorings (sometimes natural, and sometimes not). Adding the flavors to the coffee is done by European roasters and, as such, this market niche offers few opportunities for developing country producers.

Speciality coffee markets are growing fast. However, although there are considerable premiums being paid in this market, it is important to consider if it also justifies the extra investment needed at the farm level and if it is possible for smallholder collectives to deliver high-quality coffee of consistent quality and in sufficient volumes.

Demand for coffees bearing geographical indications (GIs) is also growing. Given the EU's interest in pushing the GI agenda within the WTO (due to the EU's wine-and-spirits interest), this market is of specific interest in the EU compared to the USA, where such protection is less developed and is incorporated in general trade marks.

Sustainable coffees

Sustainable coffee is an increasingly important segment of the market and increasingly supported by European supermarkets and roasters. According to the Tropical Commodity Coalition (TCC, 2009), certified coffees accounted in 2002 for around 1% of the total market while this increased to almost 8 million bags, or 6% of the market, in 2008. There is a wide range of different standards systems for sustainable coffee production, each with its label and claims. The four major European certifications for coffee production standards are Fairtrade, Organic, Rainforest Alliance and UTZ certified. The Common Code for the Coffee Community (4C) is a membership association involving coffee producers, trade and industry and civil society. Next to this, large companies like Starbucks (C.A.F.E. Practices) and Nespresso (AAA sustainable Quality Coffee programme) have their own sustainability programmes. Germany, France and the United Kingdom are Europe's largest markets for sustainable coffee, followed by The Netherlands and Belgium.

Organic

A curious phenomenon in much of northern Europe is that consumption of organic coffee has hardly responded to falling premiums paid for organic coffee. More attention must be paid to branding and promotion, in addition to quality, to be able to increase this market share. Still, the market for organic increases each year, in some countries in combination with Fairtrade certified coffee. TCC estimated total global production of organic coffee at around 78,000 tonnes in 2008. ITC estimates the exports of certified organic coffee in 2008 at approximately 72,000 tonnes, of which around 41,000 tonnes to North-America. As other markets play a minimal role, it can be roughly estimated that EU consumption of organic coffee is around 31,000 tonnes, or 1% of EU coffee consumption. Of importance is that in 2007 around a quarter of organically produced coffee worldwide was sold as conventional coffee (ITC Coffeeguide 2009)

Table 1.2 Global sales of third-party certified 'sustainable coffee' for 2006-2008, in tonnes

	2006	2007	2008	Average annual change
Fairtrade	52,980	62,166	65,808	11%
Organic	69,120	94,240	99,800	20%
Rainforest Alliance Certified	27,180	45,600	62,296	51%
Starbucks CAFE	70,464	103,636	133,812	38%
Utz-certified	36,000	52,980	77,500	47%
Gross total	252,744	358,622	439,216	32%
Net total*	220,257	318,214	416,183	37%
% of total	**4.0%**	**5.5%**	**5.5%**	

Source: agritrade 2008; Giovannucci, Pierrot 2010
* Assuming that 65% of Fairtrade coffee is also certified organic and therefore counted double, 65% of Fairtrade certified coffee is subtracted from the gross total.

Fairtrade
Fairtrade was, until recently, the volume leader among certified coffees in Europe. In 2008 the worldwide sales of Fairtrade coffee amounted to 65.808 tonnes, signifying an increase of 14% compared to the previous year. Fairtrade coffee is often also organically certified, amounting to 31.673 tonnes in 2008. As can be seen in Table 1.3, EU consumption of Fairtrade certified coffee increased by 22% annually between 2004 and 2008, amounting to 33,000 tonnes. Global consumption of Fairtrade certified coffee increased even faster, by 28% annually, but the market in the EU was already more developed. The EU accounts for just over 50% of Fairtrade coffee sales. Table 1.3 shows that the UK and France are the most important markets for Fairtrade certified coffee, followed by Germany and The Netherlands.

Table 1.3 Consumption of Fairtrade (and organic) certified coffee in selected EU countries 2004-2008, in tonnes

Market	**2004**	**2006**	**2008**			**Average annual change**
			Conventional	Organic	Total	
United Kingdom	3,339	6,238	7,567	2,074	9,642	30%
France	2,784	6,175	3,834	3,282	7,116	26%
Germany	2,981	3,908	1,541	3,246	4,787	13%
Netherlands	2,982	2,845	2,135	954	3,089	0.9%
Sweden	375	953	1,007	2,064	3,071	69%
Belgium	865	1,047	1,218		1,218	8.9%
Denmark	550	733	691	405	1,095	19%
Austria	519	747	110	872	982	17%
Finland	120	284	784		784	60%
Ireland	126	304	456	119	575	46%
Spain	-	193	392		392	n.a.
Italy	225	260	244	127	371	13%
Luxembourg	70	91	100	29	129	17%
Total Sales	**14,936**	**23,778**	**20,079**	**13,172**	**33,251**	22%
World Total	**24,222**	**52,077**	**34,135**	**31,673**	**65,808**	28%

Source: ITC Coffee Guide 2009 and FLO 2009

Starbucks and the Fairtrade Labelling Organizations International (FLO) announced in September 2009 that by March 2010, every cappuccino, latte, mocha and other espresso-based beverage served in Starbucks in Europe will be Starbucks™ Shared Planet™ as well as Fairtrade Certified. Starbucks is already the world's largest purchaser of Fairtrade coffee.

UTZ Certified
Utz Certified (http://www.utzcertified.org) recently took over the lead among sustainable coffees in Europe. It focuses on a combination of social and environmental values, but focuses especially on increasing yields, quality and management systems and, as a result economic sustainability. Sales of Utz Certified coffee reached 77,500 tonnes in 2008, an increase of almost 50% compared to 2007. For 2009, the Utz certified goal is to reach 95,000 MT of sales (Utz Certified 2009). Starting as a sustainability initiative of Ahold Coffee in 2003, it was quickly followed by other retailers and roasters. For example, McDonalds announced it would feature certified sustainable coffee in Western Europe, mainly based on the Utz Certified scheme. Especially in The Netherlands, Utz Certified plays an important role, with a market share of around 40%. In Belgium and the Nordic countries, its share is estimated around 10%. In Southern Europe, France, Germany and the UK, the market share of Utz Certified is still much lower. No further country-specific data are available.

Rainforest Alliance
Rainforest Alliance coffee (http://www.rainforestalliance.org) is more widely available in the American than in the European market. However, availability in the EU is increasing, with several retail chains offering rainforest alliance certified products such as IKEA (in Italy), Madisons (UK coffee chain), McD cafes and shops and Tschibo (German coffee chains), McDonalds (in the UK and Ireland), Sainsbury, Tescos, Waitrose, Asda and Morrisons (UK retailers), Seven-Eleven (Swedish retail chain), Panini (deli-chain in Sweden) and Plus, Super de Boer, Deens (supermarket chains in The Netherlands). Furthermore, Rainforest Alliance is also making inroads in the transportation sector with airlines (Ryanair, KLM,) and ferry's (Stena Line) and train companies (Thalys) (Rainforest Alliance 2009). Most importantly, Unilever, the world's largest tea company has decided eventually to certify its tea plantations under the Rainforest Alliance.

Common Code for the Coffee Community Association
4C (http://www.sustainable-coffee.net) is a baseline standard for the sustainable coffee supply chain, broadly supported by processors and traders in consumer countries as well as associations in producer countries. Within the EU, it concerns traders such as Armajaro and Ecom, large roasters such as Nestlé, Kraft and Sara Lee and retailers such as COOP and Lidl. 4C aims at achieving sustainability in the coffee chain through continuous improvements of the social, environmental and economic practices of the production, processing and trading of mainstream coffee. By means of a third-party verification scheme, it aims at excluding the use of "Unacceptable Practices" and at supporting continuous improvement towards sustainable practices in the mainstream coffee sector. However, the system is less stringent than other certification schemes. This is also fuelling a strong discussion within the sustainable coffee sector as to whether or not such schemes are not entailing a 'race to the bottom'. As of mid-2009, 4C was present in 17 countries with 55 verified 4C units producing 9.1 million bags of 4C Compliant Coffee (4C association, 2009). However, how this coffee finds its way to the market, and if it does so as 4C coffee, is not known. Moreover, it concerns a lot of double counts of Rainforest coffee and other certified coffee. As such, 4C is not included in Table 1.2. 4C aims at 50% of the total coffee market becoming compliant with its code by 2015 (Agritrade 2008).

The relative weight of the different certification schemes varies considerably per country. For example, in Germany organic coffee is relatively important, while in the UK and France Fairtrade is the leading certification scheme. Moreover, in the UK double certification is of importance. In The Netherlands, Utz Certified is the leading certification scheme for coffee, because of the market position of Albert Heijn, the leading supermarket chain. The sustainable market share is highest in the UK, Denmark, The Netherlands, Finland, Austria, Luxemburg, Sweden and Germany. In France, the market has also developed quickly in recent years. The market share of sustainable coffee is much smaller in South and East European countries.

However, sustainable coffee has recently become more widely available in Spain and Italy and future growth is expected there. Increased quality and professionalism have earned both Fairtrade and organic coffees more space in retail outlets.

Tea

The EU, with a total consumption of 251 thousand tonnes in 2008, accounts for 16% of global tea consumption. In 2004, this share was 17%. The United Kingdom is one of the world's leading consumers of tea, with a total consumption amounting to 130 thousand tonnes in 2008, accounting for more than half of total EU tea consumption. Other leading EU markets for tea follow at a distance: Poland, accounting for 12% of total EU consumption in 2008, Germany (9.5%), France (6.0%), Ireland (4.0%) and The Netherlands (3.3%). In terms of per capita consumption, tea is particularly popular in Ireland, the United Kingdom and Malta, where there was a respective per capita consumption of 2.2, 2.3, and 1.7 kilograms in 2008 (International Tea Committee (ITC), 2009).

Table 1.4 Tea consumption* in the EU, 2004-2008, in tonnes

	2004	2006	2008	Share of EU total	Average annual increase	Per capita consumption in grams, 2008***
United Kingdom	128,755	135,403	129,759	52%	0.2%	2,120
Poland	32,114	27,144	30,959	12%	-0.9%	812
Germany	21,764	21,298	23,808	9.5%	2.3%	290
France	13,053	13,433	15,108	6.0%	3.7%	236
Ireland	10,461	8,760	9,946	4.0%	-1.3%	2,260
Netherlands	7,700	8,000	8,400	3.3%	2.2%	512
Italy	6,000	6,651	6,878	2.7%	3.5%	115
Sweden	2,850	2,060	3,752	1.5%	7.1%	409
Estonia, Latvia, Lithuania	3,300	3,500	3,700	1.5%	2.9%	530
Czech Republic	2,392	2,658	3,078	1.2%	6.5%	296
Hungary	1,969	2,912	2,880	1.1%	10%	287
Belgium and Luxemburg	2,100	2,200	2,350	0.9%	2.9%	211
Austria	1,626	1,695	2,233	0.9%	8.3%	268
Denmark	1,466	1,369	1,384	0.6%	-1.4%	253
Spain	1,200	1,300	1,360	0.5%	3.2%	30
Greece	941	1,074	1,298	0.5%	8.4%	116
Finland	1,000	1,077	1,231	0.5%	5.3%	232
Slovakia	850	900	940	0.4%	2.5%	174
Portugal	626	845	860	0.3%	8.3%	81
Malta	650	660	690	0.3%	1.5%	1,682
Romania	170	190	220	0.1%	6.7%	10
Cyprus	150	160	175	0.1%	3.9%	222
Bulgaria	120	150	165	0.1%	8.3%	22
EU Total**	**241,257**	**243,439**	**251,174**	**100%**	**1.0%**	**507**

* These figures concern imports adjusted for re-exports
** Average of the mentioned countries (excluding Slovenia)
*** Per capita consumption is based on calculations using Eurostat population figures and ITC consumption data
Source: International Tea Committee's Annual Bulletin of Statistics 2009

Many of the leading EU countries mentioned saw their tea consumption increase substantially between 2004 and 2008, while total consumption increased by 1.0% annually. Irish tea consumption has decreased significantly. In contrast, consumption in the UK has been picking up again, after substantial decreases between 1998 and 2003. Of the major consumers, France is showing a favourable development. Among the smaller consumption countries, Sweden, the Czech Republic, Bulgaria and especially Hungary show a strong increase in tea consumption. In contrast, the Danish market is decreasing considerably.

Within the EU, the teas consumed are:

- *Green/Black tea:* The tea market has seen a decline in sales of mainstream black tea bags. In 2008, 63% of the global tea was black tea and 30% was green tea with the balance consisting of Oolong, Jasmine and Puérh teas, mostly from China. In 2007, black tea accounted for about 72.5% of global production. As is also reflected in the increasing EU imports of green tea, this product is increasingly gaining popularity in the West, partly due to health reasons.
- *Flavoured tea* – flavoured tea was introduced as a response to an increased demand for variety in tea consumption. It includes fruit teas and perfumed teas (e.g. containing anise or cinnamon flavour). These are predominately blended in the EU and mainly concern black and green tea.
- *Herbal tea* – herbal drinks, particularly herbal teas and infusions, are becoming increasingly popular in the EU. Please note that herbal teas are not included in the figures above, as they are classified in more encompassing CN codes. Only qualitative data is available on these markets, which often shows how consumption is shifting from black tea towards herbal tea. However, CBI has a specific product survey on Herbal Infusions in which you can find information about herbal tea. For more information on herbs, please also consult the CBI market survey "The spices and herbs market in the EU".
- *Ready-to-drink teas* – iced tea was initially introduced in Belgium as a sports drink, but is now a widely accepted drink in the EU. It is a particularly popular beverage in Germany and Italy.

Sustainable Tea

Organic tea
Very little information is available for organic tea and this market is much less dynamic than the organic coffee market. The leading EU markets for organic tea are the United Kingdom and Germany. In other European countries, consumption of organic tea is far more limited. According to industrial sources, the price of conventional tea at the retail level is much lower in the EU and end-consumers are not willing to pay a high premium for organic tea.

However, considering the growing attention for organic consumption across (Western) Europe, the increasing focus on sustainability issues by consumers and the increasing inclusion in mainstream channels (which, outside of the UK remain of limited importance compared to organic retailing) the role of organic tea is increasing.

Fairtrade
In 2008, worldwide sales of Fairtrade certified tea amounted to 11 thousand tonnes, with the majority destined for Europe, signifying an increase of almost 112% compared to the previous year. Fairtrade tea is sold predominately in the UK and to a lesser extent in France, followed by Germany. Especially the French Fairtrade market is increasing quickly. Fairtrade tea is often double-certified (especially in the UK). In 2008, 2.0 thousand tonnes of Fairtrade tea was also organically certified and conventional tea amounted to 9.5 thousand tonnes.

UTZ certified
Utz Certified is also extending its activities to the tea market. In 2008, the first producers were certified and the draft Code of Conduct has been tested in Malawi and Indonesia and finalised. The first UTZ certified tea will be on the EU market by the end of 2009. To extend the programme into other tea producing countries in the future a process of national interpretation in key producing countries is conducted (Utz Certified, 2009). Sara Lee, with its major tea brand Pickwick, is working together with UTZ certified so the UTZ certified system is expected to be an important certification systems for tea in the EU market.

Rainforest Alliance
The Rainforest Alliance launched its tea certification programme in 2007. The first Rainforest Alliance Certified estate in Kenya is owned by Unilever. The first certified tea was made available only to restaurants and the catering trade in Europe. Unilever aims to have all Lipton

Yellow Label and PG Tips tea bags sold in Western Europe certified by 2010 and all Lipton tea sold globally to come from sustainable sources by 2015.

Cocoa

The buyers of cocoa beans in consuming countries are traders, grinders and vertically integrated chocolate manufacturers, as well as other food industries. A small number of multinational companies dominates processing of cocoa beans and paste, the most important of which are located in The Netherlands and Germany. The most significant recent development is the purchase of Schokinag, one of the main German chocolate and cocoa products manufacturers, by ADM, one of the largest food ingredients companies in the world. Both countries also have several important traders, but many are also located in the United Kingdom, Switzerland and France.

It is not possible to determine total industrial demand for cocoa, due to the fact that processed cocoa products (butter, powder etc.) are used in a broad range of industries and in an even broader range of products. Therefore, to assess the demand for cocoa beans, total grindings per country are an important determinant, as shown in Table 1.4. The bean-grinding activities, however, do not indicate the final product, which is made from the cocoa. All beans, after having been cleaned, deshelled, roasted, and ground, are first processed into cocoa paste. Any change in the supply position of one product has an effect on the availability of the others. The increase in chocolate consumption shown in the previous chapter leads to a higher demand for cocoa paste and butter. Consequently, a larger volume of cocoa powder is available on the market, leading to lower prices. Currently it is estimated that about 65% of the world grindings is pressed into 55% of cocoa powder and about 45% into butter. The remaining 35% is processed into cocoa paste and almost entirely used for the manufacture of chocolate (De Zaan, cocoa manual, 2009),

Table 1.4 Grindings of cocoa beans in the EU, 2004/05-2008/09, in 1,000 tonnes

	2004/2005	2006/2007	2008/2009*	Average annual change	% of EU
The Netherlands	470	480	435	-2%	33%
Germany	235	357	330	9%	25%
France	148	162	155	1%	12%
United Kingdom	125	128	130	1%	10%
Spain	72	83	90	6%	7%
Belgium	41	57	62	11%	5%
Italy	65	59	62	-1%	5%
Austria	22	10	11	-17%	1%
Poland	20	20	10	-16%	1%
Ireland	20	14	8.5	-19%	1%
Greece	5.4	4.3	4.5	-4%	0%
Slovak Republic	9.7	10	3	-25%	0%
Denmark	15	3.8	2.5	-36%	0%
Latvia	1.6	1.6	1.3	-5%	0%
Estonia	0.1	0.9	0.8	68%	0%
Lithuania	2.2	0.5	0.1	-54%	0%
Bulgaria	0.3	-	-	n.a.	n.a.
Czech Republic	-	-	-	n.a.	n.a.
Portugal	0.1	0.1	-	n.a.	n.a.
Romania	0.3	0.1	-	n.a.	n.a.
EU-total	**1,253**	**1,390**	**1,305**	**1%**	
World	**3,363**	**3,658**	**3,494**	**1%**	
Share EU	**37%**	**38%**	**37%**		

* Estimates
Note: cocoa year: 1 October to 30 September
Source: ICCO Quarterly Bulletin 2009, Nr3, August 2009

The European Union takes a dominant position in world grindings. Almost 40% of the global cocoa bean supplies are ground in the European Union, amounting to a forecasted volume of 1.44 million tonnes in the cocoa year 2008/09. Grindings in cocoa importing countries are larger than in cocoa-bean exporting counties. However, grindings in Africa (+6.4% between 2004/2005 and 2008/2009) are increasing more quickly than in importing countries. During the review period, grindings in the EU and Asia/ Oceania increased both by 1.0%, while American grindings decreased by 2.6% per year, demonstrating the small positive development of cocoa demand (International Cocoa Organization (ICCO), 2009).

The most important cocoa-grinding EU member country is The Netherlands, followed by Germany. Other countries with considerable cocoa-grinding facilities are France and the United Kingdom, while Spain, Italy and Belgium play a role as well. Grinding in new EU member countries is very limited in importance and, in fact, appears to be stagnating or decreasing. Industrial demand for processed cocoa products is much more difficult to assess.

Table 1.5 Apparent consumption of cocoa, 2003-2008, in 1,000 tonnes

	2003/2004	2005/2006	2007/2008	Average annual change	per capita (kg.)
Germany	307	310	317	0.8%	3.9
France	230	239	235	0.6%	3.7
United Kingdom	220	222	225	0.6%	3.7
Italy	101	111	106	1.2%	1.8
Spain	90	100	105	4.0%	2.3
Poland	56	65	73	7.0%	1.9
Belgium	59	56	60	0.4%	5.6
Netherlands	33	35	37	2.9%	2.3
Austria	33	30	32	-0.9%	3.8
Greece	22	25	27	5.4%	2.4
Czech Republic	20	21	23	3.7%	2.2
Romania	14	17	23	13%	1.0
Denmark	16	20	23	8.9%	4.1
Portugal	16	17	20	5.7%	1.9
Hungary	18	23	20	2.1%	2.0
Ireland	15	13	17	2.9%	3.7
Finland	12	13	15	7.0%	2.8
Sweden	20	15	15	-7.3%	1.6
Slovakia	5.6	9.1	8.4	11%	1.6
Bulgaria	3.7	6.0	7.0	17%	0.9
Estonia	3.0	4.8	6.0	19%	4.5
Slovenia	4.6	5.4	5.9	6.4%	2.9
Latvia	5.8	5.3	5.0	-3.6%	2.2
Lithuania	2.4	2.5	3.0	5.7%	0.9
Luxembourg	2.2	2.2	2.1	-1.2%	4.3
Cyprus	1.6	1.8	2.0	5.7%	2.5
Malta	1.2	1.0	1.1	-2.2%	2.7
EU	**1,310**	**1,369**	**1,411**	**1.9%**	**2.8**

Note: cocoa year: 1 October to 30 September
Source: ICCO Quarterly Bulletin 2009, Nr3, August 2009
*Per capita consumption is based on calculations using Eurostat population figures and ICCO consumption figures.

The International Cocoa Organization (ICCO) provides information on apparent consumption of cocoa (grindings plus net imports of cocoa products and of chocolate products in beans equivalent[1]) which could offer further insight into industrial demand. However, this information should be used with caution, as it still does not represent total industrial demand for cocoa products. Business-to-business trade of cocoa products is not reflected in these figures, as part of the production is exported and is not included in apparent consumption, while their inputs concern industrial demand. For example, Belgium is a large chocolate manufacturer, importing huge quantities of cocoa butter, paste and powder. The industrial demand is quite high.

[1] Using the following conversion factors: cocoa butter 1.33, cocoa paste/liquor 1.25, cocoa powder and cake 1.18, chocolate and chocolate products 0.40 or 0.20.

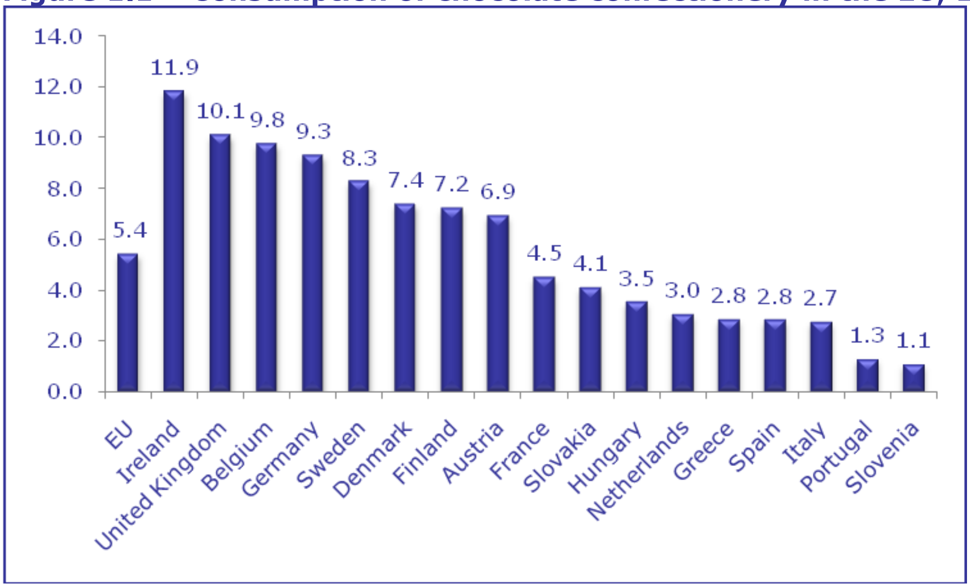
However, large quantities of chocolate are not consumed locally but are exported, thereby negatively affecting apparent consumption.

The largest consumers of cocoa are Germany, France and the UK, followed at a distance by Italy and Spain. Most countries are showing increasing consumption of cocoa, although this remains rather limited. The exception among the major markets are Spain and Poland, showing a larger increase. Most East European countries are showing large increases. The exception is the Czech Republic, where cocoa consumption has historically been quite high and growth is more limited.

Figure 1.1 below shows that, for chocolate confectionery, which is by far the largest end-use of cocoa, consumption is very high in Ireland, the United Kingdom, Belgium and Germany, all having a per capita consumption of 9.00 kg or higher in 2007.

Between 2005 and 2007, total consumption of chocolate confectionery in the EU remained fairly stable at 2.5 million tonnes in 2007. As this figure excludes many fast-growing East European consumer markets (Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia) it is expected that total consumption will be somewhat larger and that growth is also higher. This is also caused by increasing demand for European chocolate from Asia and Eastern Europe.

Figure 1.1 Consumption of chocolate confectionery in the EU, 2007, in kg per capita



Source: Caobisco (2009)
* Data for the Czech Republic was not available

According to industry sources, there are strong indications that consumer spending in the European chocolate market has dropped amid the recent economic downturn. Barry Callebaut indicated that its sales in Western Europe dropped somewhat in the last three months of 2008, while Eastern Europe still saw an increase. It is expected that consumption in these countries, which, apart from the Czech Republic, consume far less chocolate than West European countries, will in time catch up with West European levels. In a report on the global confectionery market, Leatherhead Food Research said annual sales of chocolate in Western Europe increased 2.2 per cent in dollar terms between 2004 and 2008. By contrast, Central and Eastern European sales rose 9.1 per cent annually between 2004 and 2008, making it the fastest growing chocolate market in the world.

Interviews with industry sources revealed that an increased demand, especially for cocoa powder, in these countries was witnessed in confectionery, flavourings and beverages industries. However, considering the strong processing presence in The Netherlands and Germany, and an unfavourable development of the processing industry in Eastern Europe, a substantial part of this demand increase is supplied by processing countries such as The Netherlands, Belgium and Germany. However, as will be explained under trends, for the coming year a slowdown in growth, or a decrease in chocolate consumption, could unfold in East European countries.

Although replacing cocoa butter by cocoa-butter replacers (CBRs) in chocolate is allowed up to a certain degree in EU legislation (Directive 2000/36/EC) the demand for cocoa butter continues to increase. Because chocolate consumption continues to rise in the European Union, replacement allowances were already accepted in most major EU markets, while many substitutes allowed have also become expensive. Most of these substitutes, and the opportunities they provide, are discussed in the CBI survey "Vegetable oils and fats (including oil seeds) market in the EU". The markets for cocoa powder and paste in the EU are also positive.

More than 90% of global cocoa consumption concerns bulk cocoa. The rest concerns regionally specific cocoas, particularly fine and flavour cocoas, which represent important means for value addition. ICCO sponsored a study on the chemical, physical and organoleptic parameters of cocoa to establish the difference between fine and bulk cocoa, in order to achieve sustainability of the highest quality cocoas in the world. The project was developed in Ecuador and involves Ecuador, Papua New Guinea, Trinidad & Tobago and Venezuela. The objective of the project is to develop the capacity for all involved in the production and trade of cocoa to differentiate adequately between fine and bulk cocoa, thus improving the marketing position of fine or flavour cocoa. Moreover, in the EU specific interest exists in certain origins, if this goes hand-in-hand with high-quality beans (Agritrade 2008).

Sustainable cocoa

Organic
According to industry sources, organic products still account for a small share of the total market, but this share is steadily increasing and is growing rapidly in the EU. Currently, about 0.5% of the cocoa market worldwide can be considered to be produced organically (ICCO, 2009). According to Tropical Commodity Coalition, the expected availability of certified cocoa in 2010 is 26,000 tonnes, up from around 20,000 tonnes in 2009. Approximately 40-50% of organic cocoa produced worldwide enters the European market. The largest European markets are Germany, The Netherlands and France - although Switzerland is also of great importance. It can be estimated that demand for organic cocoa has increased substantially in recent years.

Until the economic crisis the demand for organic cocoa products was increasing. Particularly in Germany, Austria, Switzerland, Denmark, the UK and France, demand for certified beans was high, both from conventional and specialised buyers. Currently industry players are faced with an oversupply of organic cocoa in the market, which is negatively affecting prices.

Fairtrade
The total Fairtrade cocoa sales account for less than 0.3% of the global cocoa market. According to Tropical Commodity Coalition, the share of Fairtrade certified products is rising and it is expected that Fairtrade-certified cocoa will amount to a total of 10,000 tonnes in 2009 and increase to 13,000 tonnes in 2010. Fairtrade does not report the exact market share accounted for by Europe. Nonetheless, according to Agritrade (2008), the UK alone accounts for around one third of Fairtrade cocoa beans sold worldwide and remains the largest consumer of Fairtrade cocoa products.

Fairtrade mainly certifies smallholder farmers who own generally less than 10 hectares of land. In many cases, especially in African countries, cocoa is produced in plantations with sizes larger than 10 hectares of land. This partly explains the relatively small role of Fairtrade in the global production. However, certification rules are becoming more open to certify larger production areas and brands.

UTZ Certified
Utz certified the first cocoa producer groups at the end of 2009, amounting to a volume of approximately 8 thousand tonnes per year. In addition, UTZ will initially focus on large production areas in Africa (Ivory Coast), but there are plans to expand to other regions in the future. The UTZ system mostly concentrates on fortifying businesses through quality and good management, leading to an increase in local income and productivity. For this reason, there is no fixed price premium as this premium is negotiated between producers and buyers.

Since UTZ has strong market support from large players such as Ahold, Nestlé and Mars, it is likely to become one of the most broadly-accepted certification schemes in the cocoa market. Large companies such as Cargill and ECOM are starting gradually to certify their cocoa according to the UTZ scheme. By 2010, it is expected that 36,000 tonnes of cocoa produced worldwide will be UTZ-certified. Almost the entirety of UTZ-certified cocoa is destined to Europe.

Rainforest Alliance
The Rainforest Alliance is also working on certification of cocoa. According to the Tropical Commodity Coalition, the volume of certified Rainforest Alliance cocoa amounts to an estimated 12,000 tonnes in 2009, and is forecasted at 25,000 tonnes in 2010. The Rainforest Alliance's cocoa programme experienced a 2.72% increase in sales of certified cocoa between 2007 and 2008, amounting to $ 16.75 million in 2008. Similarly to UTZ, Rainforest Alliance does not offer a fixed price premium to cocoa farmers (this premium is negotiated between producers and buyers).

Rainforest Alliance is attracting increased interest and gaining a good reputation in Europe. Companies such as The Chocolate Truffle Company, based in the UK, offer a greater variety of products certified according to this scheme; similarly, Mars will offer its Galaxy chocolate bars in the UK and Ireland with the Rainforest Alliance label in 2010. By 2020 all brands will commit to the Rainforest alliance regulations, which will require an estimated 100,000 MT of certified beans annually.

1.2 Market segmentation

Coffee and tea
The coffee and tea markets are more similar to each other and are therefore discussed together. The market can be divided into three segments where coffee and tea are consumed
- *At-home consumption* – This market segment is becoming increasingly diverse and accounts for around 70% of coffee and tea consumption. As was discussed above, coffee used to be consumed mostly as soluble or ground coffee for coffee filter machines. However, roasted coffee (espresso) beans are now also increasingly consumed, and ground coffee is also packaged as single-consumption pods. The same holds for tea. Next to the old fashioned tea-for-a-pot bags, single cup tea bags are very prevalent, next to unbagged (often premium) tea. Tea bagged in pyramid bags are also seen more often on the market. Moreover, the variety of brands, flavours etc. has increased tremendously the last two decades. Consumers (but also small companies) can purchase coffee and tea in these forms at:
    - Supermarkets
    - Specialty tea and coffee shops
    - Organic shops
    - Purchases through the internet are not very important for this segment.
- *Out-of-home* – 30% of the coffee consumption takes place out of home, amongst others in restaurants, coffee bars, cafes etc. Espresso bars like Starbucks, serving a great variety of high-quality coffees, are becoming increasingly popular.
- *Consumption at work* – as part of the *out-of-home* consumption, is also of great importance. Most offices in the EU have coffee machines. Tea is also consumed in large quantities in this institutional market. This market segment is partly provided for by the same players as for the at-home segment. Small companies would still buy coffee and tea

at retailers or, if they are larger, might order it directly from distributors or retailers. Interesting to note is that companies can now also purchase coffee and tea through companies offering coffee through the Internet. An interesting example is the French company Lyreco, one of the world's largest office supply companies, which also offers a wide variety of coffee and tea products, including organic and Fairtrade. However, large companies often have coffee and tea vending machines. This market is dominated by a limited number of companies. For example, in The Netherlands Sara Lee/DE has a strong position on the institutional (vending machine) market. The institutional market is witnessing a steady development towards increasing quality.

The economic crisis is impacting on out-of-home consumption of coffee and tea. Take-out coffee is becoming less popular in several countries, most notably in the UK and Ireland, but also in the rest of Europe the restaurant and bar sector has been affected. In contrast, consumption at the office or at home is increasing. The influence on the figures above is difficult to ascertain, however, and highly differentiated per EU country.

Next to this, a segmentation of the EU market can be made by looking into regional differences. This *geographic segmentation* is possible regarding the varieties of coffee consumed (Arabica coffee more in the northern European states, and strong Robusta coffees more in the Southern EU states) as well as the volume of consumption. Consumption is still limited in many East European state, for example Poland, Romania, Slovakia, Bulgaria and the Czech Republic, as well as the UK, whereas there is high consumption in Scandinavia, Benelux countries and Germany. The same holds for tea, with black tea consumption very much concentrated in the UK, Ireland, and Poland. Green tea and herbal teas are relatively popular in Germany, while in Denmark, Belgium, and Austria they are growing fast.

Cocoa

The global chocolate industry uses about 90% of total cocoa produced worldwide, according to Caobisco. The other 10% of cocoa is used in the production of flavourings for food products, beverages and, to a very limited extent, in cosmetics (cocoa butter). Less than 5% of cocoa butter is used in cosmetics. These products include baking cocoa, hot cocoa mixes, baking mixes, ice-cream, breakfast cereals and other packaged food, and cocoa(-butter) based body-care products.

1.3 Trends

Significant shared patterns and trends which can be observed for the EU markets for coffee and tea, as well as cocoa, are the following:

- *Convenience and smaller portions* – European people (including women) are working more and more in jobs outside their home and have busy social lives. Moreover, the number of single households is increasing. These developments have resulted in an increasing demand for products like coffee and tea pods, easy to use at-home espresso and cappuccino machines, chocolate bars, tea-for-one bags, iced tea and coffee, etcetera.
- *Sustainable products* – An increasing awareness of the environmental and social aspects has led to an increasing trend towards the certification of 'sustainable' coffee, tea or cocoa, including organic, Fairtrade, Utz Certified, Rainforest Alliance and other labels. Utz Certified greatly profits from its recognition among retailers. The Common Code for the Coffee Community (4C) is also expected to have a profound impact on the coffee trade. Due to the economic crisis putting a strain on household incomes in the EU, it can be expected that the market for premium products, such as organic and Fairtrade cocoa, but also high quality products, will show much less growth than in recent years. Industry-led certification systems, such as 4C and Utz certified will probably suffer much less under this economic strain.
- *Health consideration* – EU consumers move towards a more healthy life-style and, consequently, increased consumption of (organic) health foods.

- *Single origin* – Single origin products stand for quality, exclusivity, luxury etc. and are in increasing demand in the EU. Notable is that, for cocoa, single origin mostly relates to premium cocoa from Venezuela and Ecuador, while for coffee and tea the single origin market is of much wider interest.

Although the economic crisis has not radically changed the trends discussed above and below, it did slow down their development, especially where it concerns a move to more expensive products. This is mainly because a segment of European consumers is cutting down on spending by buying cheaper coffee, tea and chocolate products or private label products. However, for the longer term, the above trends remain of paramount importance as European consumers have not changed their mind-set towards healthy consumption, convenience, sustainability, ethical consumption and recognizable products of one origin. However, for the coming period the crisis could lead to:

- *Stagnating growth in the sales of premium quality coffee, tea and cocoa*, as European consumers are turning away from these high-priced or even medium-priced products.
- *Less growth in the consumption of coffee in countries where coffee consumption was beginning to develop*. This concerns several East European countries which are now starting to feel the effects of the economic crisis and where consumers are cutting back on coffee, which is not seen as a first need. It also applies to Ireland and the UK, where coffee was for a considerable part consumed as take-away, which decreased significantly. This will be less the case for tea, but in countries such as Portugal, with very high growth rates in tea consumption, future growth rates could be substantially lower. Chocolate consumption could decrease in East European countries, where chocolate consumption is still more of a luxury. This could influence the (growth of) demand for cocoa.
- *Renewed attention for at-home consumption of coffee and tea* while the out-of-home sector is negatively affected. This could influence demand for the type of coffee. For example, in the UK and Ireland most coffee at home was consumed as instant coffee, while out-of-home coffee concerns espresso quality beans. This can also concern the distribution channels, as the instant coffee sector is largely supplied by Nestlé and Kraft, which have several large roasting locations in Europe. Moreover, the office coffee and tea market is also partly supplied by specialised companies.

Coffee

- A few years ago, the electronics company Philips, together with the coffee roaster Sara Lee/Douwe Egberts, introduced the Senseo coffee machine in The Netherlands. This device uses coffee pods to make coffee. Since its introduction of Senseo on the market many different pad and cup systems have been introduced all over Europe. What they have in common is convenience of preparation, consistency of quality, and easy and mess-free disposal of spent coffee grounds (filter and espresso pads). What they also achieve is an increase in the number of drinking moments which would otherwise be lost.
- An increasing "coffee culture" is being felt in the EU. This trend kicked off in 1998 with the market entry of Starbucks to the UK market and its further expansion. Customers can drink a wide variety of coffee for take-away or in the café. Because of their popularity, especially with young Europeans, there is a spread of coffee shops in the continent. Fast food chains are gearing up to take part in this rising consumption. Many companies are now copying the idea and creating a "coffee celebration" atmosphere in their cafés and products.
- Convergence in EU consumption patterns. For example, espresso and cappuccino are now not only popular and well-known in Italy, but also in other EU member countries. In general, regional variations in coffee consumption are becoming less pronounced and coffee blends are becoming more universal throughout the EU. The addition of spices (such as cardamom) in the coffee is also a new trend in the EU market.
- Single origin coffees are becoming more popular among EU consumers. This trend is, however, less pronounced than in, for example the USA, since the quality of coffee in the EU has always remained relatively high, unlike in the USA.
- An increasing trend for single origin organic coffee is the interest in 100% Arabica coffee beans for espresso.

- Among all different kinds of certifications for sustainability, an interesting certification which is becoming more important in the EU is a certification on emissions of CO_2. There is already this type of certification for the coffee sector in the German consumer market. The certification comes from Italy, but the certified products are commercialized in Germany. The certification is called Impatto Zero (http://www.impattozero.it) and one already certified coffee is Caffe Agust (http://www.caffeagust.it).

Tea

- The trend towards convenience had led the tea industry to develop products like tea tablets and ready-to-drink teas, such as iced tea. On the other hand, the introduction of instant tea into the UK market two decades ago turned out to be a commercial disappointment.
- Responding to the growing number of single households and the need to vary between tea flavours, the 'tea for one' packages, often containing various flavours, are becoming more popular.
- The tea market has seen a decline in sales of mainstream black tea bags, an increase in consumption of green teas, a growing interest in fruit and herbal teas, and growth in the consumption of 'sustainable' tea.
- The availability of herbal teas has increased rapidly in recent years, with much innovation in new blends, new herbs etc. Herbal infusions are becoming increasingly popular, often at the expense of other hot drinks, and especially black tea consumption. Noteworthy is the consumption of rooibos tea (officially not a tea), which has shown a very strong surge in the past few years and has become one of the principal herbs used in teas, especially in North West Europe. However, rooibos is almost exclusively produced in South Africa.
- Health conscious Europeans are looking for tea with health properties, for example nettle. Also teas with ginger have, especially during winter time an increasing appeal. The use of ginger is related to the prevention of colds, which makes this ingredient attractive to consumers.
- The consumption of organic fennel tea for babies is attracting increasing attention.
- There is a clear trend towards more sophisticated packaging in the EU. Pyramid teabags with leaf tea/herbs instead of teabag tea are the trend for the future. This is also the product with which Lipton, the world's largest tea brand, is making further inroads in several European markets, also in The Netherlands where it was hardly present in the past.

Cocoa

- The modern consumer does not confine himself to the traditional three meals a day (breakfast, lunch and dinner), but is eating smaller bites ('snacks') at more frequent intervals: ready-to-eat products or products requiring very little final preparation. Suppliers of fast food and (chocolate) snacks have benefited from people's increasing tendency to eat snacks.
- The chocolate industry is the largest end-user of cocoa. Future development of EU consumption is, to a considerable degree, dependent on consumption in East European member states. In particular, chocolate confectionery for special occasions (St. Valentine's Day, Easter or Christmas) and in attractively packed chocolates for young people, e.g. chocolate for children, or chocolate for nutritional replenishment after sports, are growing markets.
- The health trend in the chocolate market is fuelled by marketing campaigns portraying chocolate as a healthy product. According to industrial sources, this is leading to a shift towards darker chocolate, which drives the consumption of chocolate for the future. Specific 'healthy chocolate' relates to marketing of chocolate containing very little sugar, the use of other sweeteners, and the use of cocoa species with high polyphenol content. Much research is currently being conducted into which cocoa species contain these antioxidant substances, so that known species are higher in demand. According to the Food Navigator (an online news magazine), Nestlé announced in March, 2008 the establishment of a research and development (R&D) facility dedicated entirely to dark and premium chocolate (Food Navigator, 2008).

- Chocolate powder with chilli, and dark chocolate with ginger or pepper, are increasing trends in the EU market. In addition, orange peels are often/frequently used to give an extra flavour in dark chocolates.
- According to a market research group - Global Industry Analysts (GIA) - strong economic growth will boost global confectionery sales to € 101 billion by 2010 (Food Navigator, 2008). This will drive the demand for European confectionery products and ingredients of cocoa in the EU. As indicated, confectionery and chocolate products produced in countries such as France and Belgium have a good name in other regions.
- According to industrial sources, there is a limited amount of organic and fairtrade cocoa in the world. The industry is searching for special varieties from specific sources and, when those are organic-certified, they become even more interesting. Prices can be very high for high-quality organic cocoa varieties.
- Utz Certified and Rainforest Alliance have also started working with cocoa. The first target is Ivory Coast producers.

1.4 Opportunities and threats

In general, certifying your product through one of the certification schemes mentioned above improves the market access opportunities in the European Union. Although the product is not necessarily sold under that certification scheme and with a premium associated with it, it does show a commitment to ethical and environmental values, as well as an ability to work according to a certain quality of product, production and management.

In contrast to this, for the coming period there is a threat that consumers in the European Union will reduce their spending on food products and therefore purchase cheaper coffee and tea as well as products in which cocoa is used. This could lead to a decrease in the industrial demand for high quality coffee, tea and cocoa or the willingness to pay a premium for them.

Opportunities for, and threats to, exporters of coffee in developing countries:
***Opportunities*:**
+ Green coffee is mostly supplied by developing countries. + The popularity of sustainable coffee is increasing. Premium quality coffees, such as espresso beans, are increasingly consumed. Moreover, this development is becoming ever more widespread across the EU. + Single origin coffee, with outstanding characteristics, offer interesting opportunities for developing country producers. The relation between buyers and producers is more direct. It offers cooperatives with a regional focus the opportunity to promote their products and to find EU companies carrying regional specialties in their assortment.
***Threats*:**
- Most of the processing of coffee takes place within the EU itself. This applies to roasting and the production of decaffeinated and soluble coffee. On the one hand, this leaves little opportunity for value addition in developing countries but, on the other hand, it also means that investments in processing facilities are not needed in the developing countries. - The roasting and blending companies are highly concentrated in the EU, which makes it difficult, particularly for small-scale producers, to enter the coffee market. - Consumption of coffee is not increasing much in many EU countries, and overall growth is limited. However, several other countries are showing high increases in coffee consumption.

Opportunities for, and threats to, exporters of tea in developing countries:
***Opportunities*:**
+ Black tea still constitutes the largest share of EU tea consumption, but green tea is increasing in popularity, offering good opportnities for producers of green tea. ± Herbal teas and infusions are on the rise, offering opportunities for producers of herbs used in herbal teas and infusions. However, for producers of black tea and green tea, the growth in herbal tea consumption can develop at the expense of their products.
***Threats*:**
- Tea consumption is decreasing in the majority of EU member countries. However, the pace of the decrease is becoming slower. Several non-traditional tea countries are showing a considerable increase. - Most of the tea-packing occurs in the EU. On the one hand, this leaves little opportunity for value addition in developing countries but, on the other hand, also means that investments in processing facilities are not needed. - The tea market is highly concentrated. Each country or region has several dominant players, leaving only a limited role for smaller companies concentrating on niches. This makes approaching the market more difficult for smaller exporters.

Opportunities for, and threats to, exporters of cocoa in developing countries:
***Opportunities*:**
+ Increased consumption in the new EU member states is likely to spur the demand for cocoa beans in the EU. The same holds for the increasing demand from Asian countries for (EU) chocolate and confectionery products. + Demand for organic beans is increasing, as European processors, as well as specialised importers, are seeing increased demand for organic cocoa products from their buyers (mostly chocolate makers). Consumption of organic cocoa and its end-products is erratic, but high growth is expected to continue in the coming years. + The organic market can become an important niche market for smaller producers of cocoa beans and butter. + Demand for single origin and high-quality cocoa is strong. However, only certain origins are of interest, such as Venezuela and Ecuador. + Thanks to its large production capacity and trade function, in particular The Netherlands, but also Germany, offer opportunities for entering the EU market.
***Threats*:**
- A major part of the cocoa trade is in the hands of a few large companies, which makes it difficult for (smaller) developing country exporters to enter the market. - The EU market for cocoa powder shows a positive development. However, prices for powder on EU markets, and the often superior quality produced by EU processors, making it easier in use for producers of confectionery and beverages, means that powder offers few prospects for conventional DC producers.

1.5 Useful sources

- Information about Fairtrade - http://www.fairtrade.net.
- Information about UTZ-Certified - http://www.utzcertified.org
- Information about Rainforest Alliance - http://www.rainforest-alliance.org
- Information about the developments in the beverage and food industries can be found at online-magazines such as Just Drinks (http://www.just-drinks.com), and Food and Drink International (http://www.foodanddrinkinternational.co.uk).
- Agritrade-CTA's web portal on international agricultural trade issues in the context of ACP-EU relations (http://agritrade.cta.int) offers information on market developments in the coffee, tea and cocoa sector from the perspective of ACP developing countries. Specific attention is given to added-value markets such as single origin, high quality, organic and Fairtrade.

Coffee

- Another interesting publication is "The State of Sustainable Coffee: a study of twelve major markets" published in 2003 by the World Bank, and "Coffee Markets: New Paradigms in Global Supply and demand". Both can be downloaded at http://www.iisd.org/pdf/2003/trade_state_sustainable_coffee.pdf
- International Trade Centre's Coffee Guide: http://www.thecoffeeguide.org
- International Coffee Organization's Coffee Market Reports, online available at http://www.ico.org/show_doc_category.asp?id=2
- Map showing the global coffee consumption: http://www.worldmapper.org/posters/worldmapper_1038_coffee_consumption_ver2.pdf

Tea

- International Tea Committee's Annual Bulletin of Statistics 2008, which can be purchased at http://www.inttea.com/publications.asp

Cocoa

- An extensive range of reports on the international cocoa market is available at http://www.marketresearch.com/search/results.asp?sid=88777351-368538246-280875009&query=cocoa
- An interesting source for information for cocoa is http://r0.unctad.org/infocomm/anglais/cocoa/sitemap.htm
- International Cocoa Organization at http://www.ICCO.org
- The International Trade Centre publishes "Cocoa: A Guide to Trade Practices", which is available at: http://www.intracen.org/eshop/f_e_IP_Title.Asp?ID=9602&LN=EN

2 PRODUCTION

2.1 Size of production

Coffee
No production of green coffee takes place in the EU. However, almost all coffee consumed in the EU is roasted within the EU, or in Switzerland, and developing countries remain largely unable to enter these markets. However, these roasters are not competitors to developing country producers, but buyers (often through, or also acting as, traders), because developing countries do not play a role on the European market for roasted coffee. These companies are discussed in combination with the trade structure of coffee in Chapter 3, and separately in the surveys covering individual EU countries.

Tea
Due to climatic conditions, tea production does not take place in the EU. Only very limited production takes place in overseas territories, such as the Azores Islands, which are part of Portugal. Therefore, the availability of tea for consumption in the EU market entirely depends on imports from developing countries like Kenya, India, China and Sri Lanka. Almost all tea consumed in the EU is blended within the EU. These blenders are not competitors to developing country producers, but are buyers (often through, or integrated with, traders), because developing countries do not play a role on the European market for tea blends. EU blenders are discussed in combination with the trade structure of tea in Chapter 3, and separately in the survey's covering individual EU countries.

Cocoa
Because of climatic conditions, no production of cocoa beans takes place in the EU. However, the EU is the largest grinder of cocoa beans in the world. Therefore the EU is a buyer of cocoa beans, but EU grinders are also competitors to developing countries on the EU and global market for processed cocoa products. In order to gain a picture of the production of processed cocoa products in the EU, the grinding data provided in the previous chapter offer a good picture of the major EU producing countries. Actual production data for cocoa butter, paste and powder are not available.

The EU grinds more than 1.3 million tonnes of cocoa beans, of which The Netherlands alone accounts for almost one third. The Netherlands is also the world's biggest producer of cocoa powder, accounting for a share of about 25%. Germany is increasing in importance as a producer of processed cocoa products, while France and the UK are the other major EU countries where grinding takes place. Production of processed cocoa products is also increasing in Belgium and Spain. EU grindings are increasing at the same rate as global grindings. However, for several years now, grindings in Africa and Asia have been increasing faster than those in Europe. In Asia, this is mostly due to large production increases in Malaysia, while in Africa grindings in Ghana increased the most.

Major grinders in the EU are discussed in combination with the trade structure of cocoa in Chapter 3, and separately in the surveys covering individual EU countries.

2.2 Trends

The situation for coffee and tea as described above is not expected to change. Production of green coffee and tea will remain limited to tropical countries, whereas the further processes of roasting and blending will continue to take place in the EU. The same holds for cocoa beans. Trends for the companies performing these processes are discussed in the following chapter.

Regarding cocoa paste, butter and powder, in the coming years the EU will continue to be the principal production area in the world. German production in particular is expected to continue to increase. The European cocoa processing sector is strongly consolidated and, thanks to its modern production techniques, is very well able to compete with other regions. European quality processed cocoa products are considered of superior quality and fetch a higher price than their African counterparts. Moreover, cocoa powder in particular is relatively difficult to transport, especially from high-humidity areas. The use of sterilisation means that the product cannot be used for some applications. The role for developing countries in cocoa powder is therefore expected to remain limited.

2.3 Opportunities and threats

+ The EU is fully dependent on coffee, tea and cocoa grown in developing countries.
± East European countries are experiencing an increasing demand for processed cocoa products; however, processing capacity is very limited and, in some countries, is decreasing. This could offer an opportunity for developing country producers. However, these countries are increasingly sourcing processed cocoa products in West European countries.
- The EU has a very strongly competitive cocoa-processing sector, competing with products from developing countries, not only on the EU market but also elsewhere.
- The quality of EU cocoa products is (seen as) higher than those from developing countries.

2.4 Useful sources

Information sources for global production of coffee, tea and cocoa are:
- Coffee, tea, as well as cocoa: FAOSTAT at http://faostat.fao.org
- Coffee: International Coffee Organization’s Coffee Market Reports, online available at http://www.ico.org/show_doc_category.asp?id=2
- Tea: International Tea Committee's Annual Bulletin of Statistics 2009, which can be purchased at http://www.inttea.com/publications.asp
- Cocoa: International Cocoa Organization at http://www.ICCO.org

3 TRADE STRUCTURE

3.1 Introduction

Each of the three product groups discussed in this survey is distributed in a different manner. The trade structures for coffee (Figure 3.1) and tea (Figure 3.2) share characteristics, but also differ in, for example, the role of auctions. Particularly the cocoa trade (Figure 3.3), with its four main products of cocoa beans, paste, butter and powder and its industrial focus, has an entirely different trade structure. Furthermore, a proportion of the cocoa consumed in the EU is processed in developing countries; this hardly takes place in the tea and coffee sector, for which blending and roasting respectively predominately take place in the EU. Processing of cocoa in developing countries can be conducted by domestic manufacturers, but is also often conducted by international processing companies and chocolate manufacturers. As such, imports into the EU take place mostly through these countries or other countries with an important trading role. Countries with smaller processing industries also source (part of) their needs from traders and processors is these countries. Countries with a small or no processing industry for one of the products will have limited possibilities for developing country suppliers, except for certain market niches. Figure 3.3 describes the trade channels for cocoa beans as well as processed cocoa products.

Because of these differences and in order to be comprehensive, this chapter shows different trade structures for each of the three product groups. Furthermore, this section will pay particular attention to trade channels for organic/Fairtrade products, as these offer additional opportunities to exporters in developing countries. Moreover, please note that, to reduce the complexity of the figures, re-exports, which can take place at different levels in the trade structure, have been excluded. This introductory section first discusses the different trade channels in general, before moving into the specifics for each product.

Producers, collectors and cooperatives
Coffee, tea and cocoa are produced on large plantations and estates, but also by smallholders. Smallholders can form a cooperative, often enjoying higher prices due to internalised transport facilities, increased market knowledge, direct exports and sharing of technical knowledge, resources etc. Export systems can be handled either by local companies and export companies/organisations or government agencies, although the frequency of that actually happening has greatly decreased. Foreign traders, which have export companies in producing countries, can also play a strong role.

Brokers
Brokers are intermediaries who bring buyers and sellers together, for which they get paid a commission. Products do not physically come into the possession of brokers. Customers can be trading companies, but are mostly processors. Next to large multi-commodity brokers, which are mostly active on future and options markets, specialised, smaller brokers exist. In certain cases, brokers represent a specific party, either as its selling agent or its purchasing agent. Many importing companies maintain representatives in producing countries, either through their own offices or through agents. These can form an interesting channel for exporters to approach the European market, apart from directly contacting European offices.

Traders/ import merchants
Traders play a very important role for coffee, tea and cocoa. Vertical integration between traders and processors is most far-reaching within the tea industry, but also exists for coffee and cocoa. This level of the trade structure offers good, if not the best, opportunities for market entry for all three product groups.

Processing
The level of concentration in processing (roasting of coffee, blending of tea, and grinding of cocoa) industries is also very high. Processing mostly takes place in the EU, especially for

coffee and tea. In some cases, European processors can be an interesting channel for developing country producers, especially those with their own dedicated trading departments.

Retailing and consumption
The next step for the coffee and tea trade is marketing of retail and catering/institutionally packaged products. This is done either directly by processors to large retailers and catering-companies/institutions or through distributors supplying smaller and specialty players. The latter are also more often dependent on specialty traders and processors. In most countries, the retail sales generally account for 70-80% of the coffee and tea market. Because of increasing retail concentration and buying power of retailers in the EU, as well as increasing private label sales, the coffee and tea industries are becoming further concentrated. Also of importance is the vending machine market, which has several processing companies focusing on this specialised market, such as Riant, of The Netherlands. Furthermore, several large processors have branches focusing specifically on the vending market. This sector is now also following the trend of upgrading the quality, as is the coffee and tea market in general.

Retail trade is even more dominant for the chocolate, cocoa beverages and confectionery industry, although these products are also consumed through the catering and institutional sector.

Channels for certified products
Importers of organic coffee, tea and cocoa are often not exclusively specialized in these products, but in organic products in general, and they are mainly dedicated to conventional (e.g. not specialty) products. Furthermore, most of them are primarily dedicated to regular, and not specialty, qualities. These organic commodity importers are for example Tradin (http://www.tradinorganic.com), Do-it (http://www.organic.nl) and Doens (http://www.doensfood.com) in The Netherlands; Rapunzel (http://www.rapunzel.de), Gepa (organic/fair-trade http://www.gepa.de), and Care Naturkost (http://www.care-natur.de) in Germany; and Claro Fairtrade (http://www.claro.ch) in Switzerland. Trading houses of coffee, tea and cocoa, play a more limited role in the trade in organic products, but due to further organic market development this situation is changing. The trade structure for Fairtrade certified products is more or less comparable to the organic trade structure and also partly overlaps in terms of companies. UTZ-certified and Rainforest Alliance are mainly working with the larger mainstream players and brands and are therefore traded through the conventional channels.

In the EU, certified coffee, tea and cocoa (i.e. organic, Fair-Trade, Utz certified, Rainforest Alliance, etc.), is sold through mainstream channels as well as speciality shops. In particular, supermarkets have become more important, especially for coffee. Many EU retail chains offer certified (private label) products. Concerning tea, the focus is still more on Fairtrade (or Fairtrade-organic combinations) but it is expected that UTZ-certified as well as Rainforest alliance will rapidly gain market share.

3.2 Coffee

Coffee producers
Traditional coffee cultivation, which involves recreating the coffee plant's original shaded growing conditions in (semi-)diversified environments, is mainly conducted by smallholders. This is also the origin of organic coffee, where mono-cultures are hardly possible in technical terms. However, most of the conventional coffee is produced on mono-culture plantations. These have an especially large scale in producing countries such as Brazil and Vietnam.

Coffee brokers
Many larger brokers are active in a large range of commodity sectors, spanning agricultural and mineral commodities. These are especially active on the futures and options markets. Some of these are mentioned in the section on cocoa. Smaller brokers can best be found through national coffee associations or in Ukers Guide, which is mentioned in Section 3.5.

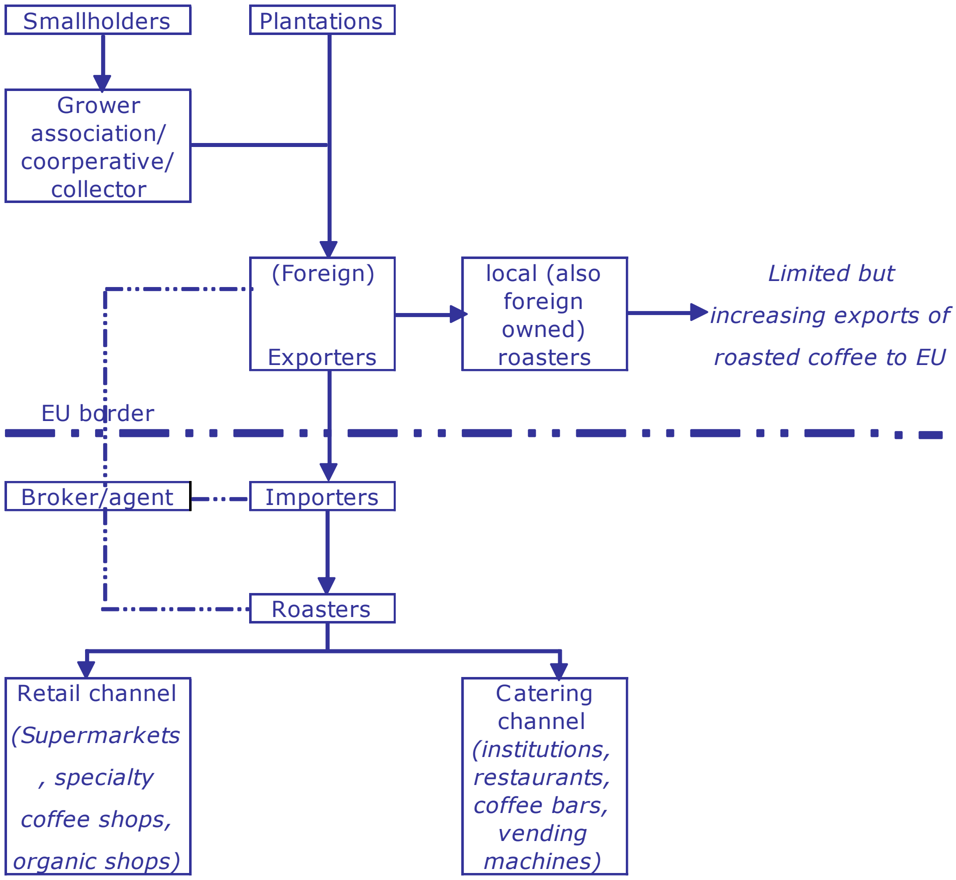
Coffee traders

International coffee trade went through considerable restructuring and consolidation in recent decades. While some of the large number of coffee traders went bankrupt, being unable to compete, many merged into larger companies such as Neumann Gruppe (http://www.nkg.net, Germany), British-Swiss Volcafé-ED&F Man (http://www.edfman.com) and ECOM (http://www.ecomtrading.com) from Switzerland. Efico (http://www.efico.com) is a large Belgium trader.

These three main traders control almost half of the coffee trade. Although coffee is generally purchased from the exporting countries by international trade houses, the largest European roasters also maintain their own in-house buying companies. In the main, however, roasters tend to buy their coffee from international trade houses and specialised traders representing specific exporters in producing countries. At the same time, prospects are still good for smaller specialised traders who trade in non-conventional coffees (high quality, specific origin).

Traditionally, most traders and dealers operate in ports where coffee is delivered, the major trading points being Hamburg (Germany), Rotterdam (The Netherlands), Le Havre, Marseilles (France), Antwerp (Belgium), Genoa and Trieste (Italy). The structure of trade is broadly similar across the EU, with the exception of the Nordic countries, which lack main traders. Their imports are conducted by roasters and agents, often through traders in the main trading centres. Furthermore, traders in some East European countries increasingly import from the main EU coffee centres, instead of directly from producing countries.

Figure 3.1 Trade structure for coffee



Coffee roasters

The level of vertical integration between roasters and international traders remains limited. Although large roasters themselves also import coffee from producing countries, in general the trade structure follows the structure as shown in figure 3.1 from exporters to importers to roasters. This is especially the case for smaller developing country exporters for which roasters will be a very difficult channel to approach.

Roasting of the original green coffee usually takes place in consumption countries. In the EU it is done to a large extent by multinationals supplying several EU countries from their production facilities. The level of concentration within the roasting sector exceeds the level of concentration in coffee trade. The leading two roasters (Nestlé (http://www.nestle.com) of Switzerland and Kraft Foods of the USA, with European companies such as Jacobs Kaffee (http://www.jacobs.de), Gevalia (http://www.gevalia.com) in Sweden, Grand Mere and Carte Noire (http://www.kraft.com) in France and internationally under the Kraft label, control around 60% of the global market for roasted and instant coffees. The top five players control around 85% of the market, while national and specialty niche players constitute the remainder. However, Europe's mega-roasters have also entered the specialty market. Therefore, small producers are, also in the specialty sector, increasingly dependent on specialty importers and agents for efficient entry to the EU market.

Nestlé dominates the soluble coffee market with a global market share of almost 50% and is especially dominant in the EU. Kraft is the second player, the two together accounting for more than three-quarters of the market. The scope for outside manufacturers lies mostly in private label production. The role of coffee-producing countries in soluble coffee consumption in the EU has decreased, with most production taking place in the EU. Of the three soluble coffee segments, premium freeze-dried, conventional spray-dried and cheap spray-dried (in the eastern EU), only the latter two are produced in developing countries.

The level of concentration in the roasting sector is very different per country, however, because different multinational and smaller nationally oriented roasters dominate the market, ranging from almost the entire market in Finland to around three quarters in Italy. In virtually every EU country small roasters continue to play a role, even though their marketing expenditures, which for major roasters can range to up to 6% of sales revenue, are fairly limited. They sell under their own brand name or supply retailers with private label products. Moreover, the number of roasters can still be very high, although often decreasing. In Italy and France, for example, there is still more of a tradition of smaller roasters, with their number still in the hundreds for both countries. Italy has several large specialty roasters, most notably Illy (http://www.illy.com) and Lavazza (http://www.lavazza.com) which play a strong role across Europe. East European countries import a relatively significant share of their roasted and soluble coffee needs. Italy plays a particularly large role in supplying East European markets.

Certified coffee

In recent years, supermarkets have gained hugely in importance regarding the sales of certified coffee, at the expense of World shops and organic food stores. The primary retail chains in the EU offer organic, UTZ certified, Fairtrade or Rainforest Alliance coffee (or combined) and often have their own brand of organic coffee, or sell Fairtrade brands (for example Fairtrade Original).

Supermarkets acquire the services of large-sized (not mega-) roasters; among them are Drie Mollen (http://www.driemollen.com), J.J. Darboven Kaffee (http://www.darboven.com), and Autobar (also specialised in vending machine coffee, http://www.autobar.nl). There are also certified roasters which sell coffee under their own organic brand. Among the best known in Europe are Café Direct (UK, http://www.cafedirect.co.uk), Simon Levelt (Netherlands, (http://www.simonlevelt.nl) and Rapunzel, Lebensbaum (http://www.lebensbaum.de) and Käfer (http://www.kaefer-produkte.de) from Germany. Those selling under the umbrella of the Fair-Trade label include Gepa, Fairtrade original, Solidar Monde (http://www.solidarmonde.fr), Fairglobe (http://www.lidl-fairglobe.de) - the Fairtrade brand of the German discounter Lidl, or CTM Altromercato (http://www.altromercato.it).

In Europe, CIMS (http://www.cims-la.com/en/ecomercados.asp) has identified around 100 certified coffee importers, 80 for organic, 70 for Fairtrade, 19 for Utz Certified, 12 for Rainforest Alliance and 1 for Bird Friendly, including double counts. Most of the importers are located in The Netherlands and Germany and are companies dedicated to re-exporting to other countries, such as Scandinavia, Switzerland, and Italy. The UK also has a number of major importers, but they are oriented towards local consumption. These are the principal market entry channel for coffee producers which sell certified coffee.

3.2 Tea

Tea producers

Tea is traditionally a plantation product, but in many countries it is also cultivated by smallholders. In Sri Lanka and Southern India in particular, smallholder production plays a large role. Smallholders sell their green leaves to middlemen, plantations or processors, often through contractual arrangements. Since low prices are paid for green leaves, especially due to the (sometimes justified) reputation of inferiority compared to plantation produced tea, profits made at this level are low. Initial processing, rolling, fermenting, drying etc., takes place near production areas. In the Indian situation, small farmers sell to 'bought leaf factories', as they rarely own processing facilities of their own. In Kenya, many small holders operate co-operative processing plants.

Tea auctions and brokers

Tea is still for a considerable part traded at auctions. Nowadays, the main auction centres are Kolkata, Cochin, Colombo, Mombasa, Blantyre and Djakarta. The system is the same for all auction centres. It brings buyers (traders, agents and importers/blenders from consumer countries) and sellers (estates/small holder cooperatives) together, to determine the price through interactive competitive bidding on the basis of prior assessment of quality of the tea. If bidding does not reach the price desired, the broker or producer can withdraw the tea from the auction.

These auctions are heavily dominated by a few privileged brokers. 11 brokers are registered with the Tea Board of Kenya, while there are 4 registered brokers at Kolkata, the largest of which are J. Thomas & Co. (http://www.jthomas-india.com), Carritt Moran & Co. (http://www.carrittmoran.com) and Contemporary Targett (http://darjeelingtea.com). J. Thomas & Co. Pvt. Ltd., the largest tea broker in the world, handles one-third of all tea auctioned in India. Carritt Moran & Co. Ltd., the world's second largest tea broker, handles around a fourth of teas auctioned in India. Generally, brokers must be registered with the appropriate tea board in order to operate, which limits the number of auction houses where tea can be sold. New buyers have only limited chances of entering the system, while unknown buyers are only marginally allowed to trade at auctions.

More and more tea is sold through forward contracts and private sales. The benefit of this to producers is often considerable; they receive payment faster, endure less uncertainty about sales and price, and can avoid the charges associated with auctioning tea (broker fees, warehousing). Likewise, the system appeals to buyers, because it guarantees faster delivery (and therefore higher quality). Especially non-traditional exporters (i.e. apart from India, Sri Lanka and Kenya) sell their tea directly to importers. Countries such as Argentina, China etc. do not work with auction systems at all. Next to tea, limited quantities of (African) coffee are also traded through auctions, mainly in Ethiopia, Kenya and Tanzania. In the non-auction trade, brokers play the role which is described in section 3.1.

Tea traders

The vertical integration for tea in the trade structure is very advanced. The largest tea importers are also major blenders and packers, while some also have their own plantations. Other leading tea importers often also have their own blending and packing facilities, while smaller importers cooperate closely with blenders and packers. A large number of traders operates in the European Union, but trade is dominated by only a few multinational companies.

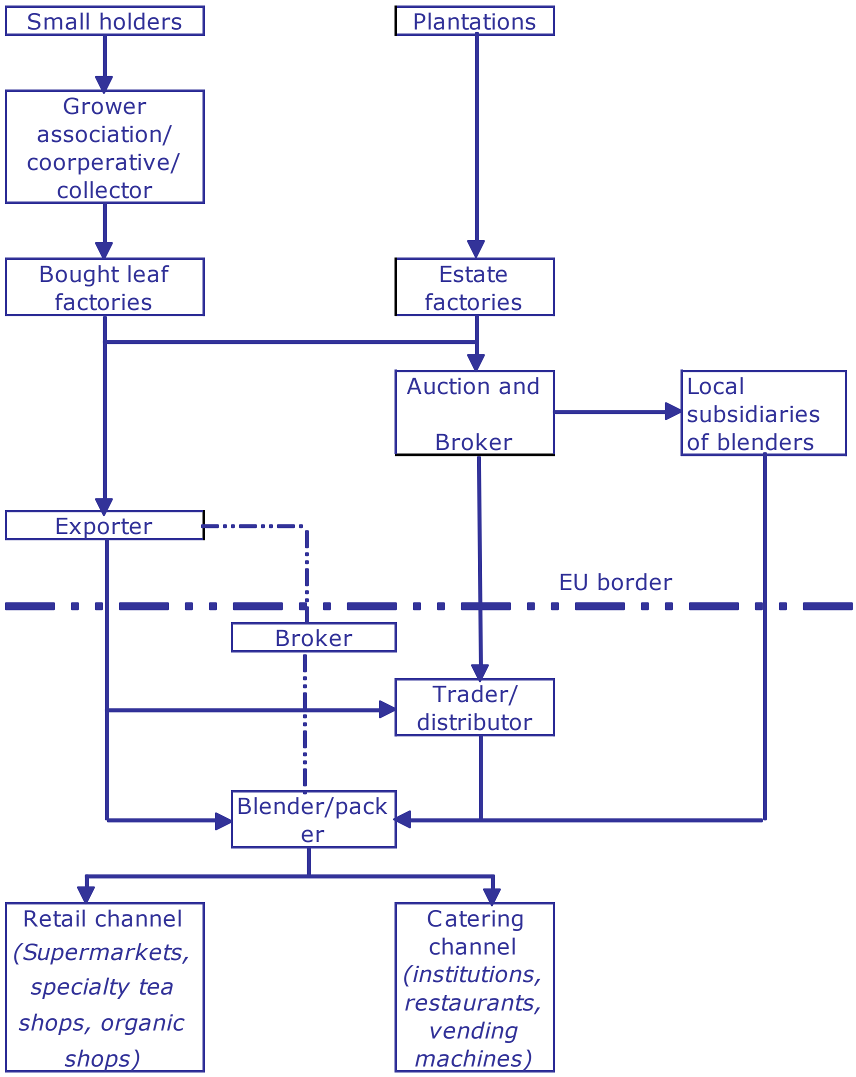
The UK plays a very important role in the tea trade. At the global level, 85% of global production is sold by multinationals.

Four companies are those most dominant in the tea trade:

- Unilever (Brooke Bond, Lipton, Unilever Trading Company (UTC) London) from The Netherlands/the UK, which owns plantations in India and East Africa (11% of Kenyan output for example) http://www.unilever.com
- Van Rees (trader/blender, supplying many packers) The Netherlands, which has no important role in tea production http://www.vanrees.com
- James Finlay (Scotland), possessing major production areas in Kenya, Uganda, Bangladesh and Sri Lanka http://www.finlays.net
- Tetley/Stansand (United Kingdom). Tetley is part of Tata Tea, one of the principal Indian brands, owning major production areas in India and Sri Lanka. http://www.tetley.com

The large tea companies have a considerable influence on supply and demand, and thus on prices at auctions. Their ownership of both plantations and processing factories is essential in this. Other blenders, such as Teekanne (http://www.teekanne.de) from Germany also import considerable quantities into the European Union.

Figure 3.2 Trade structure for tea



Tea blenders

Tea is exported at a relatively early stage in the supply chain. The most lucrative value-adding activities, blending and packaging, accruing up to 50% of the consumer price, are carried out by blenders in consumption countries. Tea processing is less concentrated internationally than tea trade, but concentration on national markets can be extensive. The leading three firms hold around 60% of the market in the United Kingdom and around two thirds in Germany and Italy. This can concern worldwide players such as Lipton, the world's principal tea brand, or national players. Important international packers in the EU are:

- Unilever (Lipton, with a global market share of 10% and a name for innovation) (15% of black tea sales)
- Tetley
- Hillsdown Holdings - http://www.hillsdown.com
- Sara Lee International (Pickwick) - http://www.pickwicktea.com
- Ostfriesche Tee Gesellschaft (OTG) (mostly Germany but also surrounding countries) - http://www.otg.de
- Teekanne (mostly Germany but also surrounding countries)
- R. Twinings - http://www.twinings.com

Next to these, a large number of national players and niche and specialty players is active on the European market.

Certified tea
Germany and the UK are the most important markets in the EU for organic tea. Major organic traders/blenders such as Clipper Teas (http://www.clipper-teas.com), Whistbray, Hampstead Tea (http://www.hampsteadtea.com), Dragonfly Teas (http://www.dragonflyteas.com), Qi Herbal Health (http://www.qi-teas.com) (all UK), Oasis (http://www.oasistee.de), Lebensbaum (http://www.lebensbaum.de), Kloth & Köhnken (http://www.kktee.de) (all Germany) are also located in these countries. Major organics trading houses, which also carry tea in their product assortment, are more often located in The Netherlands and Germany and have been mentioned above. Some of the companies mentioned under certified coffee also deal in tea.

The largest tea importers such as Unilever, Van Rees, James Finlay and Tetley/Stansand are still mostly active on the conventional market. Premium tea producers in the United Kingdom, such as Twinings London, also have organic lines, also specifically for the catering and institutional markets. Organic and/or Fairtrade tea is relatively broadly carried in supermarket assortments in the United Kingdom, also with private labels, though much less so in other countries. Outisde of the British and German markets, interesting companies include De Drie Mollen, Simon Levelt and Algra Mocca d'Or (http://www.algrakoffie.nl), from The Netherlands.

In many EU countries, the focus within the sustainable tea market is more on Fairtrade than on organic teas, and the number of supermarkets carrying organic tea is far more limited. In general, private labels are of less importance in the organic tea market than in the organic coffee market. For example, both Super de Boer and Albert Heijn supermarket chains in The Netherlands have only one type of organic tea, which is also Fairtrade certified.

3.3 Cocoa

Cocoa producers
Cocoa is typically produced by smallholder or family subsistence farming. However large-scale cultivation in plantations occurs in Brazil, Ecuador and Malaysia. This situation exists because of the fact that cocoa cultivation is ill-suited for mechanisation. These plantations are often owned by, or produce exclusively for, international corporations. Initial processing, involving seed extraction, fermentation and drying, takes place at the farm level. Furthermore, cocoa beans are also processed in the country of origin, after which cocoa butter, powder and paste are exported to the EU. These products are mostly handled through traders in the EU, but in some cases also go directly to EU cocoa processors and food processors.

Cocoa brokers
Many larger brokers are active in both coffee and cocoa, and then especially on the futures and options markets. Several (very) large brokers are affiliated with the Federation of Cocoa Merchants. These are mostly located in the UK and include Marex Carlton (http://www.marexfinancial.com), Sucden (http://www.sucden.co.uk), Man Financial

(http://www.manfinancial.com), TRX Futures (http://www.trxfutures.com, part of Neuman Kaffee) and several financial institutions like the Frech Newedge (http://www.newedgegroup.com).

Cocoa traders

The first customers for cocoa beans and processed cocoa products in the EU are usually traders, rather than grinders or final product manufacturers (for processed cocoa products). The distinction between grinders and traders is decreasing, however, because more and more grinders are being integrated with trading companies, or larger agro-industrial companies. There is still a considerable number of 'pure' traders, as these also trade in processed cocoa products, which are only very seldom imported directly by final product manufacturers. Larger processors often have a separate purchasing department which sources directly in developing countries, but these also source a lot through traders. Some vertically integrated chocolate manufacturers also buy directly in developing countries, but these transactions are normally confined to fine or flavour cocoas, or trade between firms with long-term relationships, or belonging to the same group.

Some major traders are located in The Netherlands:
- Theobroma - http://www.theobroma.nl
- Huyser Moller & Co. - http://www.huysermoller.nl
- Daarnhouwer - http://www.daarnhouwer.nl
- ADM (USA based) - http://www.adm.com
- Cargill (USA based) - http://www.cargill.com

One of the two major future trading platforms (LIFFE) for cocoa is located in the United Kingdom:
- Etco International Commodities - http://www.etco.co.uk
- Louis Dreyfus - http://www.louisdreyfus.com

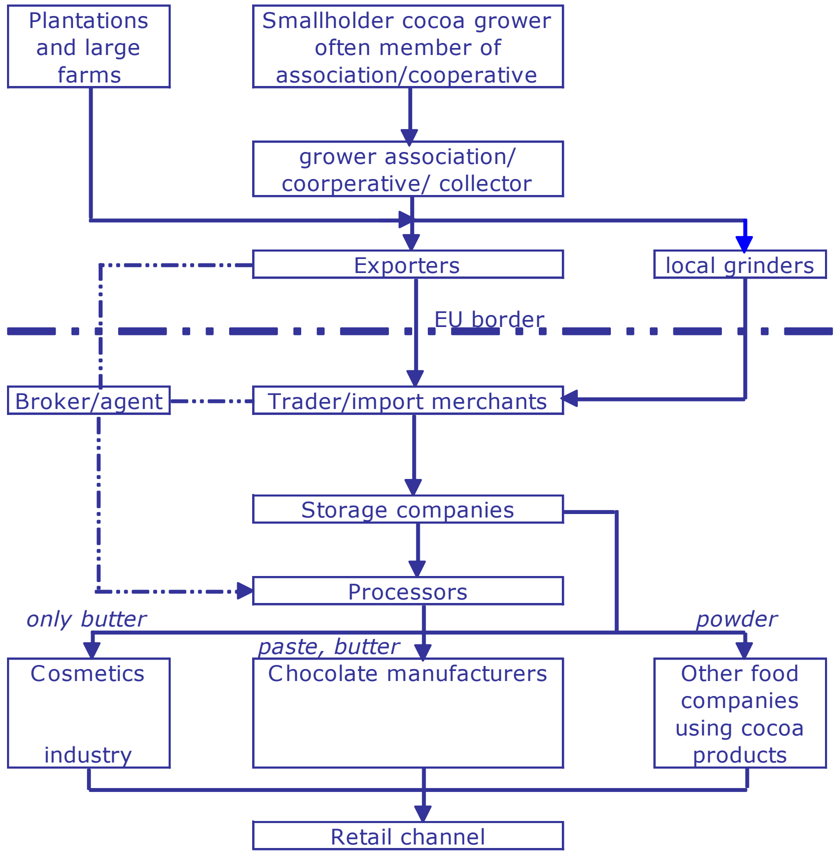
Some large cocoa traders are located in Germany:
- Albrecht & Dill Trading - http://www.albrecht-dill.de
- Vogler & Trummer - http://www.vogler-trummer.de
- Corinth - http://www.corinth.de

In France:
- Touton - http://www.touton.fr

Although not part of the EU, Switzerland also has an important position in the European cocoa trade with companies such as:
- Ecom - http://www.ecomtrading.com
- Taloca (part of American Kraft Foods) - www.kraft.com
- Noble Group (European office) - http://www.thisisnoble.com
- Barry Callebaut Sourcing - http://www.barry-callebaut.com

More cocoa traders and processors can be found in the Choco-guide - http://www.theobroma-cacao.de/en/choco-guide/choco-guide

Figure 3.3 Trade structure for cocoa and processed cocoa products



Storage companies

Storage companies can play a role in the cocoa trade. They receive and store products on behalf of clients. They do not own the products, but often act as independent surveyors testing the quality of the products stored. Examples are B&P Commodities & Logistics (http://www.bpchull.co.uk) in London, Cotterell (http://www.cotterell.de) in Amsterdam and Hamburg, C. Steinweg - Handelsveem B.V. (http://www.steinweg.com) and Unieveem (http://www.schuttergroep.nl) in Amsterdam, Interporto Rivalta Scrivia (http://www.interportors.it) in Italy, and Quast (http://www.quast-cons.de) in Hamburg.

Cocoa grinders and processors

Cocoa processing companies can be divided into two types. Firstly, the grinding industry, producing cocoa paste, butter and powder from cocoa beans, and secondly, secondary processing companies which buy processed cocoa products, (in general cocoa butter) to process them further, with the goal of selling these to certain end-product manufacturers. For example, cocoa butter may be deodorised or refined before it is sold to the cosmetics industry. However, this represents a relatively small share of total industrial demand for cocoa.

One of the most important processors (and trader) of cocoa beans is Armajero (UK) with production in Hamburg, France and Indonesia. It also owns a controlling share in Indcresa (Spain http://www.indcresa.com) one of the largest producers of cocoa powder in Europe, and owns Unicom, a large trader in Amsterdam. Some of the largest producers are located in The Netherlands such as Gerkens (http://www.gerkenscacao.com), a subsidiary of Cargill, ADM (http://www.admworld.com), Schoemaker (http://www.janschoemaker.com) and Dutch Cocoa (http://www.dutchcocoa.com) which is part of Ecom. German producers include Euromar (http://www.euromar.de) and Schokinag (http://www.schokinag.de), whereas large Spanish producers include Moner & Llacuna and Natra (http://www.natra.es).

Chocolate manufacturers and other end-industries
End-industries process cocoa paste, cocoa butter and cocoa powder into consumer products such as chocolate, cocoa confectionery, cocoa beverages, and cosmetics (the latter being the smallest segment and applying only to cocoa butter). Some end-product manufacturers which need large quantities of these ingredients (on a regular basis) purchase their products directly from producers abroad. However, it is unlikely that manufacturing companies or retail companies themselves will be acting as buyers of these products from the country of origin. End-product manufacturers often prefer to use the trading companies discussed above or agents, as the latter offer a reference situated within their own country. However, directly contacting chocolate manufacturers can offer insight into the sourcing strategies of such companies and might even reveal their suppliers.

Because more than 2,000 companies are represented by Caobisco, the Association of the Chocolate, Biscuit & Confectionery Industries of the EU, it is not feasible to make a selection for this market survey. To locate these companies, please refer to the country associations, which can be found through http://www.caobisco.com. However, the market for chocolate is highly concentrated. For example, regarding industrial chocolate, Barry Callebaut on its own accounts for around 50% of world production. Another important player is Cémoi (http://www.cemoi.fr) from France. It is the third largest producer of industrial chocolate in the EU, and France's largest consumer chocolate maker. Regarding consumer chocolate, six manufacturers account for 50% of global chocolate sales. These are: Nestlé, Mars (http://www.mars.com), Philip Morris/Kraft (http://www.kraft.com), Cadbury (http://www.cadbury.co.uk), Ferrero (http://www.ferrero.it), and Hershey's (http://www.hersheys.com). Having purchased Shokinag, ADM is also entering the (industrial) chocolate market (Foodnavigator, 2009).

Certified cocoa
Specialized cocoa traders play a limited role in the certified cocoa market, but in interviews with industry sources it was found that large traders of cocoa are also entering the organic market and are looking for suppliers of cocoa beans, paste, powder and butter. However, many processing companies source their products through specialised organics traders. The general organic and Fairtrade traders, such as those mentioned in Section 3.1., are the most interesting entry in this market.

Organic
Cocoa processors will usually be involved on request of end-users, or they are part of integrated chocolate companies which also have organic lines (for example ICAM - http://www.icamcioccolato.it, Barry Callebaut, and Puratos - http://www.puratos.com). However, ADM also indicated looking for organic suppliers, while certifying part of their facilities for organic production. These integrated industrial chocolate manufacturers and processors currently import most of the organic cocoa not imported by 'pure' importers. These companies are looking for organic cocoa beans as well as processed cocoa products. Part of the organic cocoa is processed at the point of origin, thanks to certified processing plants being available in, amongst others, Bolivia, Peru and the Dominican Republic.

Currently, there are a few major consumer chocolate manufacturers involved in the organic chocolate market, as well as several up-market retailers. Important specialized brands and manufacturers include Green & Black's (http://www.greenandblacks.com), Vivani (http://www.vivani.de, produced by Weinrich & Co (http://www.weinrich-schokolade.de) and Mascao (produced by Bernrain AG (http://www.swisschocolate.ch). Other major chocolate manufacturers are becoming involved in the market, either by starting organic lines, such as Ritter Sport (http://www.ritter-sport.com), or buying specialised organic chocolate companies. Only rarely do chocolate manufacturers source cocoa products directly in production countries, and then only from their own processing facilities or specific projects. However, it can still be interesting to contact these companies about their sourcing practices.

Fairtrade
Some major European companies involved in processing of Fairtrade cocoa are Daarnhouwer & Co. and Dutch Cocoa BV (Holland). Two prominent companies which manufacture Fairtrade and organic chocolate are Chocolat Bernrain (Switzerland), which produces conventional, organic, and Fairtrade chocolate, and Weinrich & Co. (Germany), a chocolate manufacturer producing both organic and Fairtrade products. Rapunzel and Gepa only produce organic/Fair-Trade chocolate.

Utz- Certified
UTZ-certified is cooperating with retailers (Ahold), traders (Cargill, ECOM) and food manufacturers (Heinz Benelux, Mars, Nestlé, Chocolat Frey and Ludwig Schokolade) in the development and implementation of their certification and traceability system for sustainable cocoa. It is expected that Utz certification will further spread along the chain.

Rainforest Alliance
Most of the current demand for Rainforest Alliance certified cocoa is driven primarily by brand manufacturers. However, some traders are also entering this market by placing orders to grab new business away from their competitors.

3.4 Price structure

The margins charged by different intermediaries in the coffee, tea and cocoa trade are influenced by many different factors. These include the type of commodity, quality, the current and expected future harvest situation, the availability or number of sources for the particular commodity, the level of demand and the trend in prices. All these factors make it extremely difficult to provide information on typical margins in the trade of these three commodities. For example, tea can be provided in many different qualities, as whole-leave or orthodox, etc. This will greatly influence the margins and prices throughout the supply chain. Moreover, regarding organic or Fairtrade products there is a price mark-up attached to the product, which is paid to producer/exporter. As an example of how prices fluctuate along the supply chain, we will use the variation on Indian orthodox black tea prices:

Production costs
Tea plantation: cultivation, harvesting, fertilizing, weeding, pruning, other
Processing: sorting, withering, breaking up, fermentation, drying, sifting, packing
Total: € 1.25/kg FOB (of which € 0.51/kg is labourer's wage)
Auction: € 1.63/kg FOB
Transportation costs
Export-tax, port costs, transport
Total: € 2.47/kg FOB
Manufacturing costs
Marketing, re-packing, tea bagging, transport 2x, warehousing
Total: € 8.51/kg
Supermarket: € 18.10/kg (including 6% VAT)

From this it becomes clear that the largest margins can be found at the final stages of the value chain. Regarding organic coffee and tea, there is a price mark-up attached to the product, which is also paid to the exporter. As the organically certified products may be traded in relatively smaller quantities, there can be an additional cost incurred by the importer.

Margins for the cocoa trade are even more difficult to provide, due to the very large number of final products in which cocoa is used and the different intermediate product, which are of importance. According to the French Ministry of Agriculture and Fishery, in an average French chocolate bar, DC farmers receive 5% of the total price, retailers 17% and processors 70%. Only in premium, organic and Fairtrade cocoa markets is this situation more favourable for DC farmers (Agritrade 2008).

What becomes clear from the two examples is that that the largest margins can be found at the final stages of the value chain, when an ingredient has been manufactured into a final product, or in marketing and retailing. Producers in developing countries receive only a small portion of the total sales price in the EU.

3.5 Useful sources

The principal source of finding information on buyers is Uker's Guide: A directory of Worldwide Companies in the coffee and tea sector. This study can be obtained from the publishers of Coffee and Tea Trade Journal - http://www.teaandcoffee.net).

Coffee
- A great deal of information on the coffee trade can be found in ITC's "*Coffee: An Exporter's guide*". The study can be ordered at: http://www.intracen.org/eshop/f_e_IP_Title.Asp?ID=26556&LN=EN. Finding companies active in the coffee trade is easiest through the links page of the International Coffee Organisation: http://www.ico.org/coffee_authorities.asp
- The European Coffee Federation also lists its national association members and company members at http://www.ecf-coffee.org
- Both the national member sites are most useful for finding additional companies active in the trade. For example, at http://www.kaffeeverband.de/25.htm, the German Coffee Association Germany's coffee companies are arranged according to their position in their activities.
- The Tea and Coffee Trade Journal: http://www.teaandcoffee.net

Tea
- Inttea's annual bulletin of statistics also contains a very useful trade directory, in which the most important companies in producing and consumption countries can be encountered. This publication can be ordered at http://www.inttea.com/publications.asp
- Furthermore, at the website of the European Tea Committee (ETC): http://www.etc-online.org/member.html#a you can find national member organisations to which you could refer, to encounter other companies active in the tea trade.
- The UK Tea Council also offers business contacts specified by trade channel at: http://www.tea.co.uk

Cocoa
- "*Cocoa: A Guide to Trade Practices*" is a very comprehensive information source for the cocoa trade. The study can be ordered at: http://www.intracen.org/eshop/f_e_IP_Title.Asp?ID=9602&LN=EN.
- Companies active in the cocoa trade can be encountered at the following websites.
  - http://www.cocoafederation.com/membership/members.jsp
  - http://www.worldcocoafoundation.org/about/member-companies.asp
  - http://www.eurococoa.com
- Far more comprehensive is ICCO's World Cocoa Directory, which can be ordered at http://www.ICCO.org/documents/publications.aspx € 127.50 or £ 85.

On-line company databases for finding companies working in the coffee, tea and cocoa markets are firstly national associations for the appropriate products, which are mentioned in Section 6 of the surveys covering EU countries. Others include:
- Food world: http://www.thefoodworld.com (an extensive online food business directory, with full EU coverage. Coffee, tea and cocoa are a separate product group.)
- Europages (except for coffee and tea): http://www.europages.com (online business directory, with full EU coverage. Cocoa and chocolate, with coffee and tea being two separate product groups)

Business-to-business sources include the following;
- Agronetwork.com: http://www.agronetwork.com/global (coffee and tea are included under food)

- IngridNet: http://www.ingridnet.com (a marketing instrument for companies supplying ingredients to, among others, food industries. Cocoa and cocoa products, and tea and coffee products are two separate product groups).
- Finding Fairtrade certified traders and processors is possible through http://www.flo-cert.net

4 TRADE: IMPORTS AND EXPORTS

4.1 Coffee

Green coffee

Between 2004 and 2008, imports of coffee increased by 18% annually in value and an increase of 1.4% in volume, amounting to € 5.7 billion / 3.0 million tonnes in 2008. The main EU importers were Germany (35% of total imports), Italy (15%), Belgium (12%) Spain (7.5%) and France (7.1%). Imports in volume showed a slight increase in the review period, whereas all major EU importers showed a strong increase in imports in terms of value, indicating higher prices. The major importers Germany (+19%), Italy (21%), Belgium (34%) and Spain (23%) showed an increase in imports exceeding the annual average growth in EU imports. France (13%) showed an increase slightly below the EU average. The Netherlands showed a decrease in imports of 7.5%.

Green coffee is mostly imported directly from developing countries. However, several EU countries, such as Belgium and particularly Germany, play a role in the re-export of this product. Imports of green coffee into these countries increased, as did their exports. The imports from developing countries in total imports increased in the review period on average by 18% per year.

Table 4.1 EU imports of green coffee 2004/2008, € million/ 1,000 tonnes

	2004		2006		2008		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU, of which from	**2,925**	**2,834**	**4,578**	**2,868**	**5,709**	**3,002**	**18%**
Intra-EU	231	199	348	202	546	263	24%
Extra-EU ex. DC*	12	9,2	10	4,4	7,6	3,2	-10%
DC*	2,683	2,625	4,220	2,662	5,148	2,735	18%

Source: Eurostat (2009)
*Developing countries

Brazil and Vietnam are the leading suppliers of green coffee to the EU, having respective market shares of 28% and 13% in 2008. All major suppliers of green coffee showed significant increases in their exports to the EU in the review period, where average annual growth varied between 4.2% for Kenya and 28% for Indonesia. Supplies from Belgium showed the largest average annual increase (40%) per year in the review period.

Table 4.2 EU imports and leading suppliers of green coffee 2004-2008, share in % of value

Product		2004 € mln	2006 € mln	2008 € mln	Leading suppliers in 2007 (share in %)	Share (%)
Green coffee	Total EU, of which from	**2,925**	**4,578**	**5,709**		
	Intra-EU	231	348	546	Germany (4.7), Belgium (3.0), The Netherlands (0.8), United Kingdom (0.3)	9.6%
	Extra-EU ex. DC*	12	10	7,6	USA (0.1)	0.1%
	DC*	2,683	4,220	5,148	Brazil (28), Vietnam (13) Colombia (9.1), Peru (5.1), Honduras (4.9), Indonesia (4.6), Uganda (3.5), Ethiopia (3.3), India (3.2) Guatemala (2.3)	90%

Source: Eurostat (2009) *Developing countries

Global coffee prices have a strong influence on the imports into the European Union with regard to value. As stated above the value of imports increased by 18% annually in value but 'only' by 1.4% in volume. This is mainly due to an increase in global coffee prices. However, this relationship is not completely straightforward, especially on a country level. It could be due to the variety in composition of imports into the EU and separate EU countries (Robusta, Arabica, milds) or the level of processing (roasted, unroasted, decaffeinated). For more information on coffee prices, please refer to Chapter 5 of this survey.

EU imports of Roasted coffee
As roasting of coffee predominately takes place in EU countries, their share in EU imports of roasted coffee is very high. Moreover, EU countries, along with Switzerland, are further increasing their share in the supplies of this product group. Overall EU imports of roasted coffee amounted to € 2.4 billion / 538 thousand tonnes in 2008. This signifies an annual increase of 20% in value and of 10% in volume between 2004 and 2008. The main importers were France (22% of total imports value), Germany (12%) and the UK (8.2%). All countries show an increase in imports, with Austria showing a particularly large growth of 36% per year.

Imports of roasted coffee from developing countries amounted to only € 19 million / 5.9 thousand tonnes in 2008. Between 2004 and 2008 the value of these imports increased by 4.0% while the volume showed an annual decrease of 0.3%. Brazil and Colombia are the only developing countries with a (very limited) foothold in the EU market for roasted coffee. However during the review period, imports from these countries decreased.

Organic
Coffee is one of the organic products most exported by developing countries. It is mainly sourced in Latin America, but increasingly also in other continents. The leading importers of organic coffee are Germany, Sweden, Belgium and the UK, although The Netherlands, Denmark Spain and France also have considerable imports of organic coffee. These countries are also important processors and re-exporters. Please note that the data provided in Chapter 1 gives a much higher consumption of organic coffee.

**Table 4.3 Exports of Organic coffee by destination
Coffee years 2003/04 to 2007/08, in tonnes***

Country of destination	2003/04	2005/06	2007/08	Average increase
Germany	700	2,800	6,783	76%
Sweden	358	1,006	2,705	66%
Belgium	0	900	1,965	n.a.
UK	24	810	1,710	191%
Netherlands	466	999	713	11%
Denmark	347	155	709	20%
Spain	0.8	557	629	430%
France	46	585	405	72%
Italy	138	283	283	20%
Norway	0	36	77	n.a.
Finland	0	96	39	n.a.
Austria	60	26	38	-11%
Poland	0	0	20	n.a.
Ireland	0	0	19	n.a.
Slovenia	0	19	0	n.a.
World total	**5,498**	**23,900**	**36,821**	**61%**
Total	**2,140**	**8,272**	**16,094**	**66%**
Share	39%	35%	44%	

Source: ICO 2009
* Please note that these figures are likely to be substantially underestimated, due to inconsistent data from Peru, one of the principal organic coffee producers. The Peruvian exports are estimated to average 27,000 tonnes. If the same percentage of Peruvian coffee as of coffee from other countries would go to the EU, EU organic coffee imports could amount to around 12,000 tonnes. Moreover, not all production countries and not all EU countries are included.

4.2 Tea

Total EU imports

The imports of tea into the EU increased between 2004 and 2008. They increased by 5.2% in value annually and the imported volumes by 1.6%, amounting to € 889 million / 348 thousand tonnes in 2008. This growth was limited, due to the limited growth in imports by the United Kingdom (an annual increase of 1.5%), traditionally the largest market for tea and a country with an important trade function for tea. Germany and France (the second and third EU markets) showed an increase in imports, although only by 6.4% and 5.3% annually, respectively. A high increase in imports is observed in the East European countries, with Poland and the Czech republic as the 5th and 10th largest importers, showing an annual growth of 6.7% and 17% respectively. Bulgaria (+48%), and Romania (+28%) show the largest growth, but their markets remain rather limited.

When import volumes are considered, the division of imports into the EU has slightly shifted. A number of countries located in Southern, Central and Eastern Europe which have a relatively small consumption (e.g. Greece, Portugal, Cyprus, Romania, Slovenia and Bulgaria, to a lesser extent, Austria) were importing much greater quantities in 2007 when compared to 2003.

Table 4.4 EU imports of tea 2004-2008, € million, 1,000 tonnes

	2004		2006		2008		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU, of which from	**725**	**327**	**808**	**335**	**889**	**348**	**5.2%**
Intra-EU	269	55	292	60	362	77	7.7%
Extra EU ex. DC*	27	6,8	25	5,5	30	6,9	3.3%
DC*	430	265	491	269	497	264	3.7%

Source: Eurostat (2009)
*Developing countries

Organic

The volume of organic tea traded on the global market has increased substantially over the last few years, as tea farmers have become more aware of environmental problems and severe health hazards, but also because the demand for organic tea continues to increase. The main producers of organic tea are India (about 60% of global organic and in-conversion tea area) and China (about a quarter). Other developing countries with (very marginal) production of organic tea are Sri Lanka, Tanzania, Vietnam, Bolivia, Argentina and Indonesia. As there is little or no domestic demand for organic tea, the tea is mostly exported to western countries. Leading destinations in Europe are Germany and the UK.

EU imports per product group

Black tea

The European import of tea is comprised for 86% of black tea. Between 2004 and 2008, these imports increased by 3.6% in value. In volume, however, imports of tea showed limited growth, though illustrating an overall increase in import unit value of black tea. In 2008, imports amounted to € 718 million / 303 thousand tonnes. The five main importers of black tea in the EU are the United Kingdom (33% of imports), Germany (13%), The Netherlands (9.1%) France (8.7%), and Poland (7.7%).

Imports of black tea increased more in value than in volume. Only in a number of South, Central and East European countries, where a relatively small consumption is observed, the volume of imports increased faster than the value. Slovenia, the smallest consumer of black tea in the EU, had, for example, an import increase of 21% in value and 29% in volume. Another example is Romania, for which imports increased by 31% in value and 44% in volume.

As shown in table 4.5, developing countries account for a considerable share in EU imports of black tea. Developing countries' imports share in 2008 amounted to € 422 million, corresponding to a 59% import share. The leading developing country suppliers, Kenya India and Sri Lanka, saw their exports increase by 2.2%, 0.3% and 7.3% respectively between 2004 and 2008. Among other leading suppliers in developing countries, Argentina (+15%), and Tanzania (+38%) experienced substantial annual increases in their exports of black tea to the EU in the review period. The imports from Indonesia and Malawi decreased on average by 4.1% and 7.2% respectively. The UK and Germany remain the largest EU re-exporters of tea. The imports from Poland showed a high average annual increase of 37% between 2004 and 2008 indicating the rising trade function of this country.

Table 4.5 EU imports and leading suppliers of tea to the EU 2004 - 2008, share in % of value

Product		2004 € mln	2006 € mln	2008 € mln	Leading suppliers in 2008 (share in %)	Share (%)
Tea	Total EU, of which from	725	269	27		
	Intra-EU	430	808	292	United Kingdom (12), Germany (8.7), Poland (5.2), Belgium (4.8), The Netherlands (2.5)	41%
	Extra-EU ex. DC*	25	491	889	UAE (0.8), USA (0.8), Japan (0.7), Switzerland (0.4), Russia (0.3)	3.4%
	DC*	362	30	497	Kenya (15), India (9.6), China (9.2), Sri Lanka (8.9), Indonesia (3.7), Malawi (1.5), Vietnam (1.5), Argentina (1.4), Tanzania (1.3), South Africa (1.2)	56%
Black tea	Total EU, of which from	623	675	718		
	Intra-EU	220	229	277	United Kingdom (12), Germany (7.6), Poland (5.4) Belgium (4.7), The Netherlands (2.4)	39%
	Extra-EU ex. DC*	20	17	19	UAE (1.0), USA (0.6)	2.7%
	DC*	383	429	422	Kenya (19), India (11), Sri Lanka (10), Indonesia (3.9), China (3.8), Malawi (1.8), Argentina (1.7), Tanzania (1.6), Vietnam (1.5), South Africa (1.4)	59%
Green tea	Total EU, of which from	102	133	171		
	Intra-EU	49	63	85	Germany (13), United Kingdom (8.8), Belgium (5.3), France (4.7), Poland (4.3)	50%
	Extra-EU ex. DC*	7,1	8,7	11	Japan (3.3), USA (1.6), Switzerland (0.5), Russia (0.3), UAE (0.3)	6.6%
	DC*	46	61	75	China (32), Sri Lanka (3.3), Indonesia (2.9), India (2.1), Vietnam (1.2), Kenya (0.8%), Morocco (0.7), Thailand (0.3%), South-Africa (0.2), Turkey (0.1%)	44%

Source: Eurostat (2009)
*Developing countries

Green tea
While imports of black tea increased slightly between 2003 and 2007, imports of green tea increased by 14% in value and 8.7% in volume annually in the same period, amounting to € 171 million / 45 thousand tonnes in 2008. In 2008, 14% of the tea imports consisted of green tea. Please note that green tea is much cheaper than black tea, which is plausible as the production of black tea requires more processing.

The five main EU importers of green tea are France (with a 23% import share), Germany (19%), the United Kingdom (8.1%), Poland (7.5%) and Belgium (6.6%). We can observe that these leading importers of green tea are mostly the leading importers of black tea as well; nonetheless, their order of importance in the EU imports differs. The UK accounts for only a relatively small share of EU imports of green tea, as the British are traditionally black tea drinkers. However, the UK shows the largest growth of the three leading importers with an increase of 20%, while the increase by France and Germany was 13% and 10% respectively. Of the major importers of green tea, Poland shows the highest growth with an annual average increase of 19% per year. Like black tea, large growth is recorded especially in Central and East European countries, where a relatively small consumption is observed.

Imports from developing countries increased by 13% in value, amounting to € 75 million, corresponding to a 44% imports share. All major suppliers in developing countries experienced positive growth in their exports to the EU, of which China (+ 14% annually) and Sri Lanka (18%) are good examples.

4.3 Cocoa

Total EU imports

Table 4.6 and 4.7 show the imports of cocoa beans and three processed cocoa products, cocoa paste, butter and powder, in which developing countries play a significant role.

The imports of all cocoa products, with the exception of cocoa powder, increased in value between 2004 and 2008. When expressed in volume, all imports increased. Imports increased by 3.0% in volume for cocoa beans, 4.4% for cocoa paste, 3.6% for cocoa butter and 3.0% for cocoa powder between 2004 and 2008.

Table 4.6 EU imports of cocoa products 2004-2008, € million/ 1,000 tonnes

Product		2004		2006		2008		Average annual % change in value
		value	volume	value	volume	value	volume	
Cocoa beans	**Total EU, of which from**	**2,150**	**1,493**	**2,068**	**1,538**	**2,813**	**1,680**	**6.9%**
	Intra-EU	298	209	264	204	386	227	6.7%
	Extra-EU ex. DC*	1.3	1.0	5.9	4.5	3.0	2.1	24%
	DC*	1,850	1,283	1,799	1,330	2,424	1,451	7.0%
Cocoa paste	**Total EU, of which from**	**610**	**317**	**570**	**356**	**745**	**377**	**5.1%**
	Intra-EU	299	145	313	167	427	194	9.3%
	Extra-EU ex. DC*	0.9	0.4	1.0	0.5	15	5	103%
	DC*	310	172	256	189	303	178	-0.5%
Cocoa butter	**Total EU, of which from**	**1,043**	**364**	**1,321**	**402**	**1,827**	**418**	**15%**
	Intra-EU	671	229	861	253	1,200	273	16%
	Extra-EU ex. DC*	3.2	1.1	1.7	0.5	2.1	0.6	-10%
	DC*	368	134	458	148	625	145	14%
Cocoa powder	**Total EU, of which from**	**471**	**212**	**300**	**226**	**325**	**238**	**-8.9%**
	Intra-EU	408	173	271	195	291	207	-8.1%
	Extra-EU ex. DC*	1.8	0.5	1.5	0.9	3.2	0.9	16%
	DC*	61	38	28	30	31	30	-16%

Source: Eurostat 2009

Although the figures concern cocoa products in different stages of processing, it is valuable to add the four products together, so as to gain an overall image of the major European cocoa markets and trends therein. The Netherlands, Germany, Belgium and France are the leading importers of cocoa beans and derivate products. Imports into Germany and Belgium grew faster than the overall imports into the EU, which indicates that they are further increasing their importance as importers. The Netherlands and France, on the other hand, show declining figures which lie below the EU average, indicating their declining importance as importers. The United Kingdom and Italy also play a role for some product groups, but they are both also decreasing in importance as importers. No regional development trends can be discerned.

Organic cocoa
As markets for organic products in developing countries are still limited, the majority of the production of organic cocoa is exported to western countries. European importers deal with most of the organic cocoa bean processing and trading. Germany and The Netherlands are the leading importers of organic cocoa, of which most is re-exported by The Netherlands. Other important importers were France and Italy (importing partly from Germany). Spain, Belgium and the UK were small importers. There is only a very limited number of importers in Europe.

EU imports per cocoa product group

Cocoa beans
Between 2004 and 2008, imports of cocoa beans decreased by 6.9% annually, amounting to € 2.8 billion. At the same time, imports in terms of volume increased by an annual average of 3.0%. This indicates an overall increase in prices of cocoa beans in the review period.

The most important EU importers of cocoa beans are The Netherlands, accounting for 38% of total EU imports, followed by Germany (20%), Belgium (11%), France (10%) and the United Kingdom (7.5%). The lion’s share of cocoa beans is imported from Ivory Coast and Ghana, although other countries, such as Nigeria and Cameroon, also play an important role. Considering the fact that cocoa production does not take place in Europe, the supplier function of EU countries such as Belgium, the UK and particularly The Netherlands consists entirely of re-exports of beans originating in developing countries.

Cocoa paste
A development observed for cocoa beans also applies to cocoa paste. Between 2004 and 2008, imports increased in terms of value (-5.1% annually), whereas imports in terms of volume increased (+4.4% annually). Imports amounted to € 745 million / 377 thousand tonnes in 2008. The most important importer of cocoa paste is France (19%), followed by Germany (18 %), The Netherlands (16%), Belgium (14%), and Poland (11%).

EU countries play a far larger role in the supply of cocoa paste than for cocoa beans. A large share of the processing of cocoa products (paste/liquor, butter/powder) takes place in the EU, especially in The Netherlands, which is the largest supplier of cocoa paste to the EU; it is followed by Ivory Coast, the second largest supplier. However, The Netherlands is also, the second largest importer of cocoa paste from developing countries, accounting for over a third of developing country imports.

Cocoa butter
Imports increased by an annual average of 15% in value between 2004 and 2008, whereas an annual increase of 3.6% is observed when imports are considered in terms of volume. These figures reflect an increase in the average price of cocoa butter in the review period. In 2008, imports of cocoa butter amounted to € 1.8 billion/ 418 thousand tonnes. The major importers of cocoa butter in the EU are: Germany (21% of EU imports), Belgium (17%), The Netherlands (17%), France (16%), and the United Kingdom (9.9%).

Similar to cocoa paste, the role of EU countries in the supply of cocoa butter is very large (intra-EU supplies account for 66% of total supplies). In fact, the leading supplier of cocoa butter is The Netherlands, which supplies 48% of the cocoa butter imported by the EU. Among the leading suppliers, The Netherlands is followed at distance by Ivory Coast (12%), France (9.8%), and Malaysia (6.2%). As in the case of cocoa paste, some of the leading suppliers of cocoa butter are also large importers of this product, which possibly indicates that these countries re-export cocoa butter imported from developing countries.

Table 4.7 EU imports and leading suppliers of cocoa products 2004-2008, share in % of value

Product		2004 € mln	2006 € mln	2008 € mln	Leading suppliers in 2006 (share in %)	Share (%)
Cocoa beans	Total EU, of which from	**2,150**	**2,068**	**2,813**		
	Intra-EU	298	264	386	The Netherlands (8.0), Belgium (3.6), United Kingdom (0.7), France (0.6) Germany (0.5),	14%
	Extra-EU ex. DC*	1.3	5.9	3.0	-	0.1%
	DC*	1,850	1,799	2,424	Ivory Coast (27), Ghana (26), Nigeria (11), Cameroon (8.1), Togo (4.7), Ecuador (2.3), Dominican Republic (1.7), Sierra Leone (0.6), Guinea (0.6), Papua New Guinea (0.5)	86%
Cocoa paste	Total EU, of which from	**610**	**570**	**745**		
	Intra-EU	299	313	427	The Netherlands (32), Germany (9.5), France (7.8), Belgium (2.6), Slovakia (1.6)	57%
	Extra-EU ex. DC*	0.9	1.0	15	Switzerland (2.0)	2.1%
	DC*	310	256	303	Ivory Coast (30), Ghana (5.1), Indonesia (2.3), Cameroon (1.6), Ecuador (0.6), Nigeria (0.6), Malaysia (0.3), Turkey (0.1), Dominican Rep. (0.1)	41%
Cocoa butter	Total EU, of which from	**1,043**	**1,321**	**1,827**		
	Intra-EU	671	861	1,200	The Netherlands (48), France (9.8), Germany (3.0), United Kingdom (2.1), Spain (1.3)	66%
	Extra-EU ex. DC*	3.2	1.7	2.1	USA (0.1)	0.1%
	DC*	368	458	625	Ivory Coast (12), Malaysia (6.2), Indonesia (4.4), China (2.0), Ghana (2.0), Nigeria (1.9), Peru (1.3), Cameroon (1.1), Ecuador (0.8), Thailand (0.7)	34%
Cocoa powder	Total EU, of which from	**471**	**300**	**325**		
	Intra-EU	408	271	291	The Netherlands (50), France (11), Germany (10), Spain (5.3), United Kingdom (3.3)	90%
	Extra-EU ex. DC*	1.8	1.5	3.2	USA (0.5), Japan (0.4)	1.0%
	DC*	61	28	31	Ivory Coast (5.7), Malaysia (1.4), Brazil (0.8), Turkey (0.5), Indonesia (0.4), Thailand (0.3), Ghana (0.1), China (0.1), Bolivia (0.1)	9.5%

Source: Eurostat (2009)
*Developing countries

Cocoa powder
The development observed for cocoa beans and cocoa paste was even more pronounced for cocoa powder. Whereas an annual decrease of 8.9% in import value was observed between 2004 and 2008, a 3.0% volume increase was observed in the same period. This hides some very profound development during the review period reflecting price shifts. In 2008, imports of cocoa powder amounted to € 325 million / 238 thousand tonnes. The leading EU importers were Germany (19%), France (16%), Italy (12%), the United Kingdom (8.8%) and Belgium (7.2%).

The proportion of cocoa powder originating in other EU countries is even higher than for cocoa paste and cocoa butter, amounting to 90% of total EU imports. Production of powder mostly takes place within the EU. The Netherlands alone supplies half of total EU imports. France, Germany, Spain and the United Kingdom play a smaller role. Imports from developing countries are decreasing at higher rates than overall imports.

4.4 The role of the developing countries in imports per product group

Coffee
Since there is no EU production of coffee, the EU is completely dependent on developing countries for its supply. Among developing countries, Vietnam is rapidly increasing in importance. Re-exports of green coffee also play an increasingly important role in EU trade of coffee. Therefore, the main EU importing countries are not necessarily the main coffee consuming nations, but can also be countries which play a strong role in the re-export of coffee.

Table 4.8 Imports of green coffee from developing countries 2004 – 2008, € million/ 1,000 tonnes

	2004		2006		2008		Average annual % change in value
	value	volume	value	Volume	value	volume	
Total	**2,683**	**2,625**	**4,220**	**2,662**	**5,148**	**2,735**	**18%**
Germany	975	951	1,628	994	1,937	1,025	19%
Italy	377	384	626	413	815	442	21%
Belgium	185	163	309	186	684	352	39%
Spain	180	214	297	220	402	233	22%
France	194	195	273	176	284	156	10%
Sweden	114	89	199	108	230	107	19%
United Kingdom	122	115	166	108	208	110	14%
Finland	80	63	125	64	150	71	17%
The Netherlands	171	135	244	137	104	53	-12%
Portugal	39	38	57	39	70	40	15%
Denmark	57	51	55	32	54	27	-1.1%
Greece	26	27	31	23	46	26	15%
Romania	33	34	40	29	36	20	2.2%
Poland	54	78	74	60	33	20	-12%
Bulgaria	9.1	17	15	19	28	18	32%
Czech Republic	13	16	19	12	24	13	17%
Austria	20	18	23	14	20	11	0.2%
Slovenia	7.6	7.0	11.3	7.7	15	8.2	18%
Ireland	4.9	3.1	5.5	2.5	3.2	1.4	-10%
Cyprus	1.5	1.4	2.2	1.6	3.0	1.6	18%
Other	20	27	21	15	1.7	1.0	-46%

Source: Eurostat (2009)
Please note that, as Poland only supplied data on HS 4 digit level in 2003, the total of the products does not match the product group.

Germany is by far the leading importer from DCs, accounting for 19% of total EU imports and, in turn, supplies 10% of EU imports. Italy and Belgium are the second and third largest importers from DCs with the latter showing a rapid increase. The Netherlands, Denmark, Poland and Ireland reveal a decrease in imports, which shows that these countries shifted towards other EU countries for their coffee supplies.

Developing countries play no significant role in the supply of roasted coffee, as roasting predominately takes place in the consuming (EU) countries.

Tea

Tea is not grown in the EU, which makes the EU dependent on developing countries for the supply of tea, besides some imports from the United Arab Emirates, the USA and Japan. DCs directly supply 56% of EU tea imports, while a small share (3.4%) is derived from extra-EU sources, indicating that the rest consists of re-exports of tea from developing countries by EU member countries. This share is increasing. Between 2004 and 2008, intra-EU imports increased by 7.7%. Most of this can be attributed to Poland's and Belgium's increasing presence.

Table 4.9 Imports of tea from developing countries 2004 - 2008, € million/ 1,000 tonnes

	2004		2006		2008		Average annual % change in value
	value	volume	value	volume	value	Volume	
Total	**429.5**	**265.1**	**490.6**	**269.3**	**496.8**	**264.4**	**3.7%**
United Kingdom	217.5	150.0	242.2	153.3	226.9	146.5	1.1%
Germany	81.2	38.9	97.8	42.4	102.3	43.0	5.9%
The Netherlands	29.2	22.1	40.9	27.2	46.4	26.6	12.3%
Poland	39.5	29.6	38.1	21.8	46.2	24.9	4.0%
France	22.4	6.5	25.0	6.5	27.5	6.7	5.3%
Belgium	5.2	2.2	6.5	2.7	10.5	4.3	19.5%
Italy	4.7	2.0	6.4	2.2	7.5	2.4	12.5%
Ireland	12.6	6.8	15.6	7.5	7.5	3.8	-12.3%
Czech Republic	2.4	1.0	2.3	0.7	3.5	0.8	10.2%
Sweden	2.1	0.7	2.0	0.5	3.2	0.8	10.3%
Lithuania	2.4	0.5	2.6	0.4	2.9	0.4	5.0%
Denmark	1.3	0.4	1.9	0.5	2.3	0.6	14.9%
Greece	0.7	0.3	0.8	0.3	1.6	0.4	23.0%
Latvia	1.2	0.5	1.4	0.5	1.4	0.4	3.0%
Spain	0.8	0.6	0.9	0.6	1.3	0.9	13.2%
Finland	0.9	0.4	1.3	0.5	1.2	0.5	6.8%
Romania	0.7	0.2	1.3	0.7	0.8	0.4	1.4%
Hungary	1.6	1.3	0.8	0.1	0.7	0.1	-19.4%
Estonia	1.0	0.2	0.6	0.2	0.7	0.1	-9.1%
Bulgaria	0.1	0.1	0.5	0.1	0.6	0.2	42.8%
Cyprus	0.3	0.0	0.4	0.0	0.5	0.1	18.8%
Austria	0.8	0.5	0.6	0.3	0.5	0.2	-10.4%
Slovakia	0.7	0.3	0.3	0.1	0.4	0.1	-11.8%
Other	0.2	0.0	0.4	0.1	0.3	0.1	16.8%

Source: Eurostat (2009)

Developing countries lost ground in the EU imports of tea, in particular black tea as intra-EU trade showed a larger growth than the imports from DCs. The black tea imports from DCs amounted to € 497 million in 2008. The leading developing country suppliers were Kenya, India and China. The first two lost considerable market share in EU imports between 2004 and 2008, as the supply from Kenya showed an annual increase of only 2.3%, from India by only 0.5%. The DCs also lost market share in the supply of green tea and now supply 44% of the market. The imports increased on average by 7.6%, but this was lower than the increase from the EU countries (15%).

The United Kingdom imports almost half (46%) of the imports coming from developing countries. Germany also plays a significant role in the imports from DCs, while The Netherlands and Poland have a more limited role. The imports by the United Kingdom show a limited average growth of 1.1% per year while Germany and especially The Netherlands show a large average increase of 5.9% and 12.3% respectively per year. The overall direct tea imports of France are rather limited but the country is the second largest EU importer by green tea from developing countries with a market share of 21%

Table 4.10 Imports of cocoa beans and selected processed cocoa products from developing countries, 2004 – 2008, € million/ 1,000 tonnes

Product group		2004 value	2004 volume	2006 value	2006 volume	2008 value	2008 volume	Average annual % change in value
Cocoa beans	**Total**	**1,850**	**1,283**	**1,799**	**1,330**	**2,424**	**1,451**	**7.0%**
	Netherlands	822	591	703	549	1,062	670	6.6%
	Germany	209	129	251	181	381	227	16%
	Belgium	227	154	279	198	310	175	8.1%
	France	173	116	164	115	195	105	3.0%
	UK	184	135	168	121	192	109	1.1%
	Spain	90	63	94	71	137	81	11%
	Italy	96	58	92	59	117	65	5.2%
	Poland	11	8.4	27	21	13	9.6	4.6%
	Other EU	38	28	21	15	17	9.3	-19%
Cocoa paste	**Total**	**310**	**172**	**256**	**189**	**303**	**178**	**-0.5%**
	Netherlands	78	41	82	52	110	50	8.8%
	France	123	67	92	58	84	40	-9.1%
	Poland	25	14	28	18	34	16	7.5%
	Germany	9.4	5.1	15.0	8.8	34	14	38%
	Spain	63	37	25	43	22	40	-23%
	UK	0.2	0.1	0.1	0.2	7.5	11	144%
	Italy	3.7	2.1	5.2	2.9	3.4	1.7	-2.2%
	Greece	1.2	0.7	2.3	1.1	3.2	1.4	29%
	Bulgaria	3.3	3.0	4.3	4.2	3.1	1.9	-1.4%
	Other EU	2.0	1.1	1.8	1.0	2.6	1.6	7.2%
Cocoa butter	**Total**	**368**	**134**	**458**	**148**	**625**	**145**	**14%**
	Netherlands	140	48	181	59	257	58	16%
	France	130	49	152	50	222	51	14%
	UK	58	22	50	16	67	18	3.8%
	Italy	7.5	2.5	15	4.4	24	5.8	33%
	Poland	15	5.2	26	7.6	18	4.3	5.4%
	Spain	5.2	2.1	7.5	2.5	11	2.4	21%
	Belgium	4.9	1.8	6.3	2.0	9.9	2.4	19%
	Germany	0.7	0.2	11	3.5	9.1	2.1	89%
	Estonia	0.9	0.3	1.6	0.5	3.0	0.6	36%
	Other EU	*6.2*	*2.5*	*6.9*	*2.1*	*2.8*	*0.7*	*-18%*
Cocoa powder	**Total**	**61**	**38**	**28**	**30**	**31**	**30**	**-16%**
	Netherlands	36	23	14	15	15	15	-20%
	France	9.4	4.8	4.2	4.1	6.2	5.1	-9.8%
	Belgium	3.6	2.1	1.2	1.3	1.6	1.6	-18%
	Germany	0.4	0.2	0.7	0.8	1.6	1.6	43%
	Romania	2.6	2.2	1.9	1.9	1.2	1.1	-18%
	Hungary	2.3	1.4	0.9	1.1	1.0	0.9	-19%
	Poland	3.4	1.8	1.4	1.7	0.9	1.0	-29%
	Lithuania	0.2	0.2	0.6	1.1	0.6	0.8	34%
	Italy	0.1	0.0	1.0	0.7	0.6	0.5	69%
	Greece	0.2	0.1	0.2	0.2	0.4	0.4	25%
	Slovenia	0.4	0.2	0.4	0.4	0.4	0.5	-0.2%
	Other EU	2.6	1.7	1.3	1.4	1.5	1.6	-13%

Source: Eurostat (2009)

Cocoa

The role of developing countries in the supply of cocoa paste and powder has declined in the past few years. In 2004, 51% of cocoa paste and 13% of cocoa powder was sourced in developing countries, while this share decreased to 41% and 9.5% in 2008. The role of developing countries in the supply of cocoa beans stabilised at around 86% between 2004 and 2008. The market share of cocoa butter also remained the same at 35% in the review period.

Some changes occurred in the dominance of certain developing countries in the supply of cocoa products. Ivory Coast decreased in importance between 2004 and 2008, while other African countries, such as Ghana and Togo, gained market share where most cocoa products were concerned, especially cocoa beans. However, Ivory Coast remains the main supplier of cocoa beans. In addition, trade through The Netherlands, Germany and Belgium is increasing, which is indicated by the growing exports of cocoa beans by these countries.

The Netherlands imports almost half (46%) of the cocoa beans imports coming from developing countries. Germany and Belgium also play a significant role in the imports from DCs. The imports by the other EU show a decrease showing a decrease in direct imports in the small countries. The overall direct imports of processed cocoa products are very concentrated around The Netherlands and France. This again indicates the strong position of the EU in cocoa processing.

4.5 Exports

Coffee

Due to increasing intra-EU trade in green coffee, exports by EU countries showed significant increases between 2004 and 2008. In the review period, exports of coffee increased by 34% in value and by 21% in volume amounting to € 893 million / 444 thousand tonnes. The only two significant exporters are Belgium (59% of EU exports) and Germany (31%). Of the EU exports of green coffee, 96% is destined to other EU countries and 1.7% to DCs. As the EU has no domestic production of green coffee, this exclusively concerns re-exports.

Exports of roasted coffee mainly concern exports of coffee which is processed in the EU. These exports are increasing rapidly, achieving an annual increase of 18% in terms of value between 2004 and 2008, and an annual increase of 8.2% in volume. In 2008, exports amounted to € 2.8 billion / 692 thousand tonnes. The main exporters were Germany (32%), Italy (22%), and Belgium (7.9%). More than 80% of roasted coffee exports is destined to other EU countries, although the USA is also an important destination.

Tea

Total EU tea exports increased by an annual average of 5.8% in value between 2004 and 2008. As the EU does not grow tea, this signifies that re-exports increased in importance in the review period.

Of the EU exports, 62% finds its way to other EU countries, whereas 33% is exported to extra-EU countries. The main EU exporter is the UK (37% of EU exports), followed at a distance by Germany (24%). The EU exports tea to a wide range of different countries, 'the most important ones being France (11%), Canada (8.2%), Germany (6.6%) the USA (5.3%) and Italy (5.1%). Exports to both Germany and the USA increased very rapidly in the review period.

Exports of black tea increased by 3.4% in terms of value and in volume by 2.6%. In 2008, exports of black tea amounted to € 459 million / 83 thousand tonnes. Poland shows a large average increase of 14% per year in the review period, illustrating the growing importance of the country as a re-exporter.

EU exports of green tea also increased between 2004 and 2008. The export value increased by an annual average of 17%, whereas the export volume increased by 18%. In 2008, exports of green tea amounted to € 139 million / 18 thousand tonnes. Clearly, these data signify that green tea is gaining popularity in Europe at the expense of black tea, as already discussed in Chapter 4. Consumption is increasing and EU trade in green tea is deepening.

Table 4.11 Exports of coffee, tea and cocoa by the EU and main exporters 2004-2008, € million / 1,000 tonnes

	2004		2006		2008		Av. Annual Value change %
	value	volume	value	volume	value	volume	
GREEN COFFEE							
Total EU	**279**	**210**	**493**	**280**	**893**	**444**	**34%**
Belgium	79	64	138	81	528	271	61%
Germany	141	115	262	160	280	146	19%
United Kingdom	5.9	1.7	10	3.3	17	3.2	30%
Italy	16	4.2	16	5.5	17	5.7	1%
Spain	14	12	11	6.5	9.1	4.2	-10%
Poland	0.8	0.8	3.3	1.8	7.1	1.1	74%
Slovakia	0.1	0.0	0.0	0.0	6.3	0.4	194%
Austria	2.0	1.5	18	9.2	5.2	2.8	27%
TEA							
Total EU	**478**	**84**	**552**	**93**	**598**	**101**	**5.8%**
United Kingdom	208	29	222	26	221	28	1.5%
Germany	107	22	128	26	141	27	7.0%
Belgium	41	6.4	51.2	6.9	52.8	8.3	6.3%
The Netherlands	32	14	41	18	44	19	8.2%
Poland	20	4.8	23.3	4.8	42.0	7.0	20%
France	34	3.1	35	2.9	35	3.5	1.0%
Hungary	7.7	1.0	12	1.5	13	1.7	14%
Austria	3.6	0.8	9.5	2.0	11	2.0	33%
Sweden	6.8	0.9	9.2	1.4	7.2	0.9	1.1%
COCOA BEANS							
Total EU	**434**	**310**	**393**	**290**	**516**	**293**	**4.4%**
The Netherlands	243	174	182	139	269	156	2.6%
Belgium	161	115	188	135	217	119	7.7%
Germany	8.2	6.0	15	9.7	12	6.8	9.7%
United Kingdom	11.0	8.7	1.5	1.5	9.1	5.5	-4.7%
France	9.5	4.9	4.8	2.6	4.4	3.0	-17%
COCOA PASTE							
Total EU	**354**	**173**	**373**	**198**	**471**	**211**	**7.4%**
The Netherlands	195	96	197	103	269	112	8.3%
Germany	28	14	72	39	83	39	31%
France	77	36	50	24	64	26	-4.6%
United Kingdom	23	13	20	15	17	12	-7.4%
Poland	7.9	4.1	13	7.0	17	7.1	20%
Spain	4.0	2.2	5.9	3.5	16	7.8	42%
Italy	2.8	1.4	2.6	1.7	2.2	1.1	-5.5%
COC. BUTTER							
Total EU	**890**	**307**	**1,125**	**329**	**1,471**	**335**	**13%**
The Netherlands	572	198	734	212	949	206	14%
France	194	63	256	76	302	79	12%
Germany	27	8.9	42	13	102	23	40%
Spain	30	10	32	9.2	46	10	11%
United Kingdom	42	18	23	6.6	38	8.4	-2.3%
Belgium	8.7	2.8	8.9	2.5	15	3.7	15%
Poland	6.5	2.1	9.7	2.7	7.8	1.6	4.7%
Italy	7.7	2.6	11	3.3	7.3	1.5	-1.2%
COC. POWDER							
Total EU	**765**	**343**	**459**	**361**	**535**	**400**	**-8.6%**
The Netherlands	469	201	282	206	319	216	-9.2%
France	96	42	67	48	71	46	-7.2%
Germany	64	34	44	45	55	51	-3.7%
Spain	56	28	29	32	44	45	-5.6%
United Kingdom	25	11	5.3	5.0	14	16	-14%
Italy	14	7.8	13	10	10	8.6	-7.4%
Poland	5.9	3.3	5.4	5.1	7.2	7.6	5.2%

Source: Eurostat (2009)

Cocoa
During the review period, exports of all cocoa products, with the exception of cocoa powder, increased in terms of value. The increase in the exports of cocoa beans, with an average annual growth of 4.4%, indicates increasing re-exports of this product. In 2008, cocoa bean exports amounted to € 516 million / 293 thousand tonnes. Leading EU re-exporters are The Netherlands and Belgium, together accounting for 94% of total EU exports. Exports are almost entirely destined to other EU member countries.

Between 2004 and 2008, exports of cocoa paste by EU member countries increased by 7.4% in value and by 5.1% in volume annually, amounting to € 471 million / 211 thousand tonnes in the latter year. The leading EU exporter is, by far, The Netherlands, accounting for 57% of total EU exports; this consist of Dutch production as well as re-exports. About 80% of the total export value concerns intra-EU trade, while the remaining part is exported to countries outside the EU.

Exports of cocoa butter by the EU increased by an annual average of 13% in value and 2.2% in volume between 2004 and 2008. In 2008, exports amounted to € 1.5 billion / 335 thousand tonnes. The Netherlands is the leading exporter of this product in the EU, accounting for 65% of the exports. The country is followed at a considerable distance by France, which accounts for 21% of the exports of cocoa butter. This concerns both butter produced in the EU and re-exports.

In 2008, total EU exports of cocoa powder amounted to € 535 million / 400 thousand tonnes, representing an average annual decrease of 8.6% in value, but an increase of 3.9% in volume between 2004 and 2008. This particular development indicates a decrease in the export unit value of cocoa powder. More than half of the exports was destined for other EU member countries; 47% was exported to countries outside the EU. As the world's leading producer of cocoa powder, The Netherlands accounts for 60% of total EU exports.

4.6 Opportunities and threats

Coffee
\+ EU imports of coffee are increasing, both in value and in volume. Due to price increases, the increase in value has been especially large.
\+ Although Brazil previously dominated coffee supply to the EU, a wide range of other countries gained market shares.
± The role of Germany and Belgium in the trade of green coffee is increasing.
\- Imports of roasted coffee originate in EU countries. The limited roasted coffee imports from Brazil, which took place in the past, have further decreased.

Tea
± The decrease in tea imports seen in the preceding couple of years ceased and, in the review period, imports increased in value between 2004 and 2008.
\+ The imports in traditional tea-drinking countries such as the UK and Poland are showing only limited growth, while south, central and East European countries are showing strongly increasing imports.
\+ Imports of green tea are showing a considerable increase.
\- The share of developing countries in EU imports decreased.

Cocoa
\- Imports of cocoa beans, paste and especially butter into the EU increased in value and volume.
± Imports of cocoa butter from developing countries are showing a strong development. The imports of cocoa paste are, however, decreasing showing a smaller role for DC exporters.
± Only a few EU countries play a role in the imports of cocoa beans.

- The share of developing countries in cocoa beans, cocoa paste and powder imports has decreased. Regarding cocoa beans, direct imports from developing countries remain prominent, but for powder, developing countries have a more marginal position in supplying EU countries.
- Imports of cocoa powder show a negative development, with imports decreasing significantly in value but increasing in volume.
+ Although Ivory Coast and Ghana take a dominant position in developing country supply to the EU, many countries play a role in the supply of cocoa beans. This is less the case for the processed cocoa products.

4.7 Useful sources

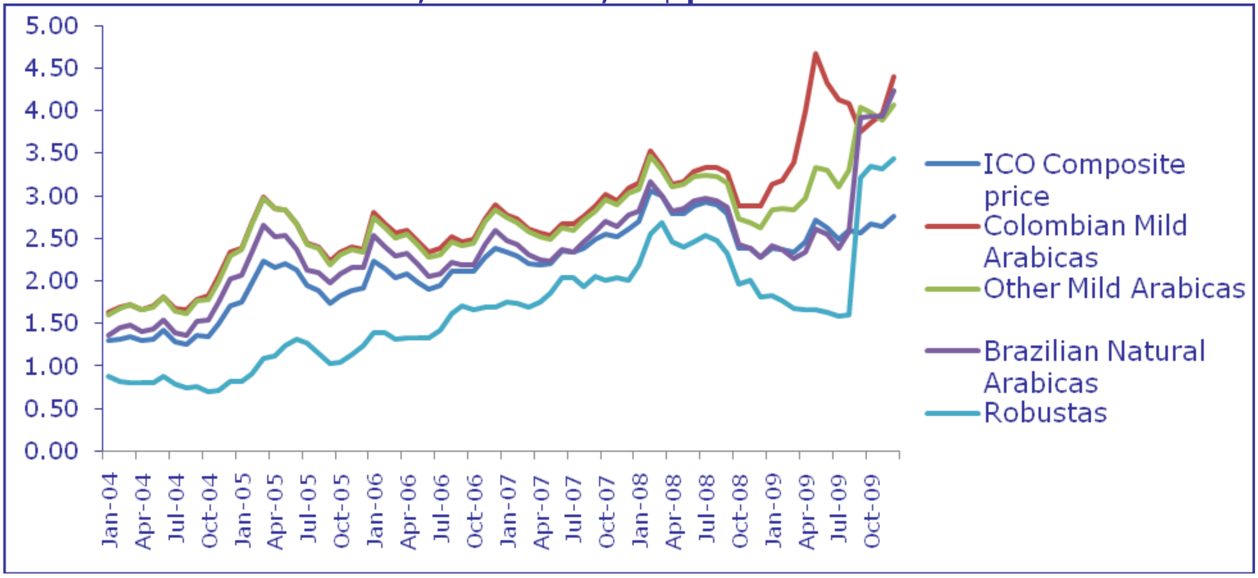
- EU Expanding Exports Helpdesk
  ➔ http://exporthelp.europa.eu/
  ➔ go to: trade statistics
- Eurostat – official statistical office of the EU
  ➔ http://epp.eurostat.ec.europa.eu;
  ➔ go to 'themes' on the left side of the home page
  ➔ go to 'external trade'
  ➔ go to 'data – full view'
  ➔ go to 'external trade - detailed data'
- Understanding Eurostat: Quick guide to Easy Comext
  ➔
  http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf
- International Coffee Report, World Tea Markets, Chocolate & Confectionery International - http://www.agra-net.com

5 PRICE DEVELOPMENTS

5.1 Coffee

As was already indicated in chapter 4, prices of coffee have a tremendous effect on import figures of coffee. Figure 5.1 shows the development of coffee prices during the last 5.5 years, which clearly reveals an overall rise. This is due to the fact that, after 2004, the considerable imbalance between supply and demand (oversupply) for coffee began to decrease. In particular prices for Robusta improved substantially as prices are much higher than the period before 2004, when average prices were recorded below $1.00 per kilo. In the last months of 2008, the prices of coffee decreased substantially, influenced by the global economic crises. In 2009, prices increased again, with the Colombian Mild Arabicas showing a very rapid increase following storms and heavy rains in Colombia. This caused a disastrous harvest and a drop in global supply of coffee beans. Robustas continued its decreasing trend in the first half of 2009.

Figure 5.1 ICO indicator prices[2] prices for coffee on the Germany and New York futures market, 2004-2009, in $ per kilo



Source: ICO 2009

Prices of coffee remain very volatile, responding to climatic and consumption news hitting the market. Although 2008 was a relatively stable year, prices reached a high of $ 3.06 per kilo in February decreasing to $ 2.27 per kilo at the end of the year. On a weekly basis, fluctuations can be much larger, due to speculative buying of coffee futures. After a substantial slump in prices in the winter and spring of 2008, prices increased to around € 2 per kilo at the beginning of 2008, after they had decreased to € 1.87 in November 2008. Prices remained at high levels in 2009, as production in Brazil and Central America decreased. The strong increase of Colombian Mild Arabicas in May were caused by storms and heavy rains in Colombia and an expected market shortage.

For the crop year 2009/10, the ICO expected (in December 2009) a market shortage due to a decreasing production. For Brazil, there are strong indications of a fall in production and a smaller than anticipated recovery is expected in Central America and Colombia. Global coffee supplies may therefore be limited in 2010, bearing in mind that opening stocks are at low

[2] Please note that weighted prices have been calculated including both European and American trade market prices (with more weight for Europe, due to the greater demand in Europe). As ex-dock prices regarding sales from origin are measured, the combined aggregate gives a good idea of global market prices. As coffee is a bulk commodity traded worldwide, these global prices are most indicative. The composite price is based on weighted averages of the different varieties (Colombian Milds: 13%, Other Milds: 27%, Brazilian Naturals: 25%, Robustas: 35%).

levels and that adverse weather conditions could affect the quality of crops and stimulate the occurrence of diseases affecting coffee trees. These expectations were pushing the market prices up towards the end of 2009. The increase in prices during December was much more marked in the case of Colombian Milds (+7.7%) and Brazilian Naturals (+5.3%). Prices for Other Milds increased by 3.9%, while those for Robustas rose only slightly (+0.6%).

Please note that coffee is not a homogenous product. Each parcel of coffee is unique with regard to its characteristics, flavour and quality and, hence, attracts a different price. However, coffee is traditionally treated as a homogenous product, with prices established on one of the main terminal or futures markets. Consequently, coffee trade is conducted on a price-differential basis, with prices of actual trade transactions expressed as differentials to future market prices on an FOB basis. Because of increasingly sophisticated roasting practices it is becoming easier for roasters to switch between origins without jeopardizing constant quality, making it easier for them to look for value for their money, resulting in increasingly volatile markets.

Prices paid to growers in developing countries are considerably lower, as they exclude transportation costs and local export costs. However, the differences between countries are very large. African producers in particular receive less for their coffee, except for Togo's Robusta producers. Data for 2009 is not yet available, but table 5.1 shows prices for 2008.

Table 5.1 Prices paid to growers in exporting countries, $ per kg, 2008

Exporting country	Variety	US $ per kg
Brazil	Brazilian Naturals	2.41
Brazil	Robustas	2.02
Burundi	Other Milds	1.03
Colombia	Colombian Milds	2.52
Dominican Republic	Other Milds	2.24
Ecuador	Other Milds	3.20
Ecuador	Robustas	1.75
El Salvador	Other Milds	1.90
Ethiopia	Brazilian Naturals	1.58
Guatemala	Other Milds	2.45
Honduras	Other Milds	2.00
India	Other Milds	2.68
India	Robustas	2.12
Malawi	Other Milds	2.21
Tanzania	Colombian Milds	1.40
Tanzania	Robustas	0.78
Togo	Robustas	1.70

Source: ICO 2009

Sustainable coffee

According to industry sources, prices for organic coffee depend much on the location characteristics, which affect the bean quality. At the moment, organic premiums are increasing but can in some cases be rather low. Table 5.2 presents price differentials in the last two weeks of 2009, to the ICE (Arabica) and LIFFE (Robusta) for organic coffees from several origins. It should be noted that all differentials vary according to the specific coffee grade and quality.

Organic premiums for Arabica coffee range between $ 0.18 and $ 0.44 per kilo for Ugandan coffees, to $1.76 to $ 2.65 for Brazilian coffee. This ranges between 5% and almost 50% above conventional prices. Producers incur higher costs when producing organic coffee. With premiums as low as 5%, reaching a breakeven point will depend on the quantities produced. The premium for Robusta coffee is around 15% above the conventional price in London. The premium for Ugandan Robusta coffee, which is one of the reference prices for organic Robusta, is around $ 0.50 per kg. The variation in premium is much smaller than for Arabica coffee.

Table 5.2 Price differential for organic coffee (USD /kg), FOB

Arabica		
Origin	From	To
Peru	0.49	0.66
Bolivia	0.33	0.44
Mexico	0.71	0.99
Honduras	0.44	0.55
Colombia	1.54	1.98
El Salvador	0.71	0.88
Uganda	0.18	0.40
Brazil	1.76	2.65
Ecuador	0.62	0.77
Nicaragua	0.88	1.04
Tanzania	0.55	0.77

Robusta		
Origin	From	To
Uganda		0.50
Tanzania	0.35	0.50

Source: Joost Pierrot, 2010

No fixed premiums are set for Utz Certified and Rainforest Alliance. This certification system is more focused on increasing yields and efficiency for producers (and, as such, increasing profits) than doing so directly through premiums. However, premiums are still decided upon between producers and first buyers in the EU and range between 1% and 7%, with the majority to the low side of this range. Higher premiums are sometimes paid, but these are more closely related to higher qualities and are more often sold on the American market.

The Fairtrade premium, which was established on 1st June 2008 by the Fairtrade Labelling Organisations International (FLO), is US$ 0.22 per kilogram. The additional premium for organic Fairtrade the is US$ 0.66 per pound. Regarding the Fairtrade minimum price and premium, see the table below. Furthermore, specialty coffees and regional specialties command a much higher market price.

Table 5.3 Fairtrade minimum prices and premiums, FOB, USD / kg

Product	Product variety	Fairtrade minimum price	Fairtrade premium
Coffee Arabica	Conventional, washed	2,76	0,22
	Organic, washed	Organic differential: +0.44	
	Conventional, natural	2,65	0,22
	Organic, natural	Organic differential: +0.44	
Coffee Robusta	Conventional, washed	2,31	0,22
	Organic, washed	Organic differential: +0.44	
	Conventional, natural	2,23	0,22
	Organic, natural	Organic differential: +0.44	

Source: FLO, 2010

Retail prices

The average retail price of coffee shows a very large divergence between the EU countries. Prices per kilo range from € 5.59 in Finland to € 24.34 in the United Kingdom. Prices in East European countries reflect the overall lower price levels for food products in these countries. Scandinavian countries have among the lowest prices, which are caused by the very high consumption in those countries and the extremely fierce competition prevailing on the coffee consumer market. Roasters often sell their products below production costs for extended periods. In the rest of the EU, prices are quite similar, around € 7.00 or € 9.00. The very high prices in the United Kingdom are probably caused by more limited competition, but especially by the high proportion of coffee consumed as instant coffee, which commands higher per kilo prices. Prices are also relatively high in Italy (€ 11.78 per kilo), which might be due to the large number of small roasters on the market and the wide range in qualities sold on the market, with a focus on more expensive espresso coffees.

5.2 Tea

In 2007, prices for tea were relatively low. In 2008, global tea prices increased substantially as a result of the limited supply on the global market, caused especially by a decrease in Kenyan production, due to political upheavals. However, since September 2008 prices have been decreasing again caused by a shrinking demand for tea, especially in oil-producing countries, some of which (United Arab Emirates, Russia) are among the largest tea importers in the world. By the start of 2009, the tea price found the upward trend again. In September 2009, the FAO Tea Composite price for black tea reached US $3.18/ kg, compared to an average price of $ 2.38 in 2008. This was mainly due to severe droughts in India, Sri Lanka and Kenya, compounded by increasing demand for tea from the beverage sector. Next to this, the Sri Lankan tea sector was faced with a nationwide plantation labour strike. Due to this strike, the Sri Lanka tea board estimated that the nation's tea production fell around 50% in September compared to the same month the year before. The high tea prices remained until the end of the year.

The FAO Tea expects that the tea prices of 2009 should ease in 2010, as weather patterns returned to normal in the main tea-producing regions of Asia and Africa. FAO therefore warns for oversupply, as producers may plant more crops in an attempt to capitalise on the high prices or protect against future crop failure. This can result in too much tea on the market once the new tea bushes reach maturity in three years' time, which might lead to a price decrease.

Tea prices show a wide variation, both at the aggregate level and the auction level, due to large differences in quality. Tea quality, and therefore tea prices, is determined on the basis of liquor, aroma/flavour and leaf appearance. The quality of tea has been decreasing, creating niche markets for high-quality tea. Governments in producing countries focused more on increasing supply than increasing quality and further processing. Therefore, supply constraints and high prices for high-quality teas persist.

The fact that demand for tea remained robust, despite the global recession, supports the assertion that tea consumption is "habit forming" and is relatively price inelastic for most blends except higher priced quality teas.

Table 5.4 Three-Auction Average auction prices for tea, 2006-2009, in $ per kilo

	2006	2007	2008	2009
January	1.71	1.79	2.38	2.19
February	1.95	1.78	2.40	2.14
March	1.72	1.77	2.26	2.19
April	1.91	1.98	2.49	2.51
May	1.88	1.94	2.48	2.69
June	1.99	2.07	2.67	2.78
July	2.01	2.13	2.76	2.96
August	1.96	2.07	2.74	2.99
September	1.91	2.13	2.67	3.16
October	1.85	2.25	2.31	
November	1.79	2.21	1.97	
December	1.83	2.31	1.93	
Average	1.87	2.04	2.42	

Source: World Tea Markets Monthly 2009

Organic and Fairtrade tea

The organic tea market is quite different from the conventional market, as traded volumes are still quite low. According production area/variety, prices and the situation on the market can be quite different. Only for Darjeeling does the price for organic tea strongly follow the market rules and, similar to conventional prices, is largely based on quality and demand. Assam tea has a very stable price because there is very limited supply, dominated by one large producer. Sri Lanka's production of organic tea is still very limited and comes at a high price (although quality can be lower than organic from other sources). In Africa, there is very limited organic tea production, except for a couple of companies in Tanzania which focus on the UK market. As this market is not very well developed in respect to organic products, prices are quite low. Chinese organic teas on the EU market are largely dominated by one network of companies which have been able to assure high prices for producers (Industry sources), although prices can be quite fluctuating. Organic premiums have decreased in recent years and can now be as low as 10%. However, as the costs of transport have become lower (due to larger quantities shipped) this is not surprising. Please note that, due to changing preferences (from green tea to rooibos, for example) organic global production and organic EU consumption do not always match each other.

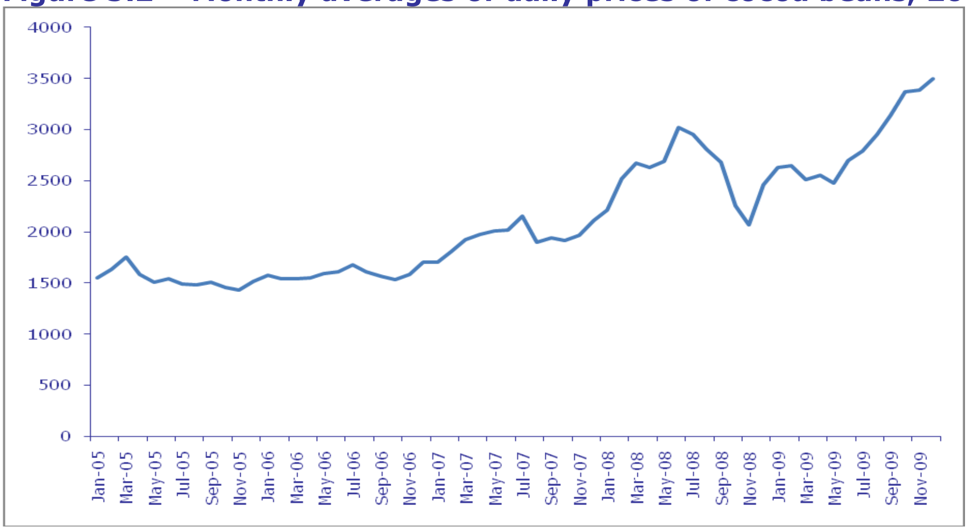
The Fairtrade price premium is fixed for all teas produced using the CTC (Cut, Tear and Curl) production method, as well as for orthodox fanning and dust, at US $ 0.50 per kg of made tea. All other teas manufactured with the orthodox method will carry a Fairtrade premium of US $ 1.10 per kg, independent of the market price mentioned above. The Fairtrade premium for Rooibos, Camomile, Mint and Hibiscus is set at US $ 0.50 per kilo (Flo, 2010).

5.3 Cocoa

Prices for cocoa beans are readily available, as are prices for cocoa butter. Prices for other cocoa products such as powder, liquor and paste are available for a smaller range of origins and grades. The International Cocoa Organisation (ICCO) has comprehensive data on daily physical prices for cocoa beans, which are completely up-to-date. Prices are given using the average quotation on the London Cocoa Terminal Market and the New York Board of Trade. These are the two major trading platforms where the international price for cocoa is determined. Up until 2004 prices decreased, to a low of just above $ 1,500 per tonne in the beginning of 2005, with devastating effects for cocoa farmers worldwide.

More recently, prices were going through a steady increase until mid-2007. Although prices showed a significant decrease in the second half of 2007, they remained high, and then resumed their upward trend. In June 2008, the price for cocoa even crossed the US$ 3,000 line. Since then, prices have declined slightly but are still, in comparison to the years 2003 – 2007, very high. The 2009 global cocoa prices, compared to the previous years, were on average also exceptionally high. The reason for this high cocoa price is based on speculation. It is therefore difficult to predict what will happen in the coming year. Important factors are the consumption pattern within the EU, which can be considered volatile, and the total production of cocoa in 2010. The cocoa market is especially dependent on the production figures of Ivory Coast. A low yield of cocoa is likely to boost the global cocoa price even more.

Figure 5.2 Monthly averages of daily prices of cocoa beans, 2005-2009, $ per tonne



Source: ICCO 2010

Although the exchange market also functions as a basis for negotiation for the prices of the specialty cocoa market, prices are primarily determined by the quality of the cocoa and what the supplier can offer in terms of information and traceability.

As prices fluctuate on a daily basis, the information above should be used exclusively as an indication. Prices for cocoa beans futures, including different varieties, are also given in the Public Ledger, and are directly provided by Liffe and the New York Board of Trade. These prices are given in US $ and British Pounds. Both exchanges also provide additional trade information about cocoa beans and derivate products. Ex-dock prices for physicals are also provided for cocoa beans, liquor and butter by the Public Ledger. An overview is given in Table 5.5 below.

Table 5.5 Prices of cocoa beans, liquor, cake and butter, $ per tonne, 2009

	Settl. 21 Dec	2009 high	2009 low
Beans			
Main crop Ivory Coast beans ex dock US spot	3,956	3,956	2,600
Ghana main-crop ex dock US spot	4,096	4,096	2,755
Sanchez Faq beans ex dock US spot	3,705	3,705	2,497
Sulawesi Saq beans ex dock US spot	n.a.	3,008	2,337
Arriba superior beans ex dock US spot	n.a.	3,162	2,414
Malaysian 110 beans ex dock US spot	n.a.	2,871	2,257
Paste			
Equador liquor ex dock US spot	3,723	4,750	2,409
Butter			
Ecuadorian butter	3,543	5,150	2,462
African Type pure pressed butter	7,229	7,618	5,015
Cake			
Natural 10/12% pressed cake	n.a.	2,417	942

Source: The Public Ledger 21 Dec 2009,

Organic and Fair-Trade cocoa

Organic prices for cocoa fluctuate according to the market situation. Unless the product is part of secured arrangements (such as Fairtrade) there is no secured premium for certified products. Premium prices paid for organic cocoa depend heavily on the market. At the moment, demand is growing faster than production, especially for Fairtrade and organic (double certified) cocoa.

Current premiums are very low. According to industrial sources, the FOB price for organic cocoa beans is between $ 0 and $ 100 higher per tonne than conventional prices. This means that premiums are currently around 10% of the conventional price. This is much lower than last year, when premiums ranged between 1% to 20%. However, the difference in price between conventional and organic cocoa can be higher for high-quality specialty cocoa. In December 2009, the prices for organic from the Dominican Republic ranged between $ 50 and $ 75 per tonne, whereas for Peru this was around $ 50. The African countries are still not growing cocoa organically on large scale. In the future, however, this reality may change. There is already organic cocoa coming from Ivory Coast and Ghana.

There is also a premium price for Fairtrade cocoa products. Fairtrade certification entails an additional premium of US$ 150 per metric tonne above a minimum conventional price set by FLO of US$ 1,600 per tonne. If the cocoa is organic-certified, the Fairtrade premium is also US$ 150 per metric tonne (FLO, 2008). The minimum organic price is US$ 1800.

5.4 Useful sources

International Trade Organisations

- International Coffee Organisation (ICO): http://www.ico.org
- International Cocoa Organisation (ICCO): http://www.icco.org
- International Tea Committee (Inttea): http://www.inttea.com

Other Sources

- Public Ledger: http://www.agra-net.com
- Liffe: http://www.liffe-commodities.com
- New York Board of Trade: https://www.nybotlive.com
- Fairtrade Labelling Organizations International http://www.fairtrade.net
- UTZ-Certified http://www.utzcertified.org
- Rainforest Alliance http://www.rainforest-alliance.org

6 MARKET ACCESS REQUIREMENTS

As a manufacturer in a developing country preparing to access EU markets, you should be aware of the market access requirements of your trading partners and the EU governments. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select coffee, tea and cocoa and the EU in the category search, click on the search button and click on market access requirements.

Coffee beans are usually transported in bags. Currently, most coffee is transported in 20-foot dry containers, which is a considerable improvement over the old break-bulk method, but still involves extensive handling. Coffee is also transported in bulk in polypropylene fitted containers. Container shipment is not suited for lengthy stretches unless containers are ventilated: this is a condition which can be specified in contracts by EU traders and roasters.

More related to packaging, exporters and shipping lines must ensure that only clean containers are used, thus avoiding cross-contamination by previous cargoes. Go to www.fao.org and search for the Draft Code of Hygienic Practice for the Transport of Foodstuffs in Bulk and Semi-packed Foodstuffs of the Codex Alimentarius Commission. Hydrocarbon contamination is usually caused by jute coffee bags. The International Jute Organization (http://www.jute.org/) has established specifications (IJO Standard 98/01) for the manufacture of jute bags to be used in the food industry.

In the case of tea, a distinction can be made between the packaging of tea in the producing country and consumer packaging in the EU. Packaging in producing countries is only to a limited degree in tinfoil lined 50 kg plywood boxes. Packaging is increasingly taking place in paper bag packages with protective layers, which limits packaging waste and is easier to transport in containers.

Cocoa beans have been traditionally shipped in bags or sacks, which are often stored in ventilated containers during shipment. Cocoa powder is also transported, and often also stored, in bags from 25 kilos upwards, but is also supplied in bulk. Important aspects to monitor are air humidity (to avoid lumping), temperature fluctuations (to avoid crystallisation), pressure (to avoid lumping), and transport in odour-free environments. The storage temperature should be between 15°C and 18°C and not more than 20°C and the air humidity below 50%. A good information source is the International Trade Centre's "Cocoa: A Guide to Trade Practices" (http://www.intracen.org/eShop/f_e_IP_Title.Asp?ID=9602&LN=EN).

Cocoa butter is transported in moulded slabs or as liquid in tanks. The standard packaging of cocoa butter during intercontinental transport is 25 kilo in polypropylene or polyester sacks. These are then put in cardboard boxes and allowed to cool into moulded slabs. Cocoa butter has a low content of unsaturated fatty acids, especially polyunsaturated, and therefore the shelf life of the fat is relatively good. According to ICCO, if cocoa butter is moulded into slabs directly after production and the slabs are well packed in order to prevent oxidation, the shelf life should be several years.

Cocoa butter is also transported in liquid form in tankers. This happens mainly for short stretches. More care must be taken if the shelf life is to be maintained. Factors to watch are temperature (below 45°C), air/oxidation (air coming into contact with the cocoa butter causes rancidity), storage in the dark, and humidity (between 50% and 60%). In addition, after the tanks are emptied all residues of cocoa butter must be removed, as they will go rancid and contaminate the next batch to be delivered.

The EU Commission and the International Maritime Organisation (IMO) in London issue packaging requirements for crude and (semi) processed products. Directive 96/3/EC regulates the sea transport in bulk of liquid oil and fats, in respect to food hygiene standards. EU Directive 93/43/EC applies to bulk packaging of animal and vegetable oils and fats.

Additional information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packaging/packit.htm

Information on tariffs and quota can be found at http://exporthelp.europa.eu. No quotas apply to coffee, tea and cocoa. Import tariffs apply to processed products, however. For example, the tariff for decaffeinated green coffee is 8.3%, for roasted coffee 7.5% and for roasted decaffeinated coffee 9.0%. The tariff for tea is mostly 0.0%, except for green tea in packages smaller than 3.0 kg. Regarding cocoa, only cocoa beans are exempted from import tariffs. In contrast, a tariff of 9.6% applies to cocoa paste, 7.5% for cocoa butter, and 8.0% to cocoa powder 8.0%.

7 OPPORTUNITIES AND THREATS

This survey discusses three different markets. Although developments across the three are partly related, especially between coffee and tea, large differences exist in the development of the different markets and, therefore, also in the opportunities and threats which influence exporters in developing countries.

Several of the previous chapters provided information on trends and developments shaping the EU markets for coffee, tea and cocoa. Furthermore, these were translated into opportunities and threats affecting the opportunities for developing country exporters to do business in the EU. However, it is important to keep in mind that the same development or trend can be an opportunity for one exporter and a threat to another. Exporters should therefore analyse if the developments and trends discussed in the previous chapters provide opportunities or threats. The outcome of this analysis depends on the specific situation of an exporter.

An example is the increasing interest in the EU in single-origin products. Although this offers opportunities to exporters of coffee, tea and cocoa alike, several critical notes should be made. First, single-origin cocoa mostly relates to premium cocoa from Venezuela and Ecuador. These countries are known for their high-quality cocoa products; the qualities are recognised by EU traders, resulting in significant premiums. It is interesting to note, however, that Barry Callebaut, the world's leading manufacturer of high-quality cocoa and chocolate products, has recently increased its single-origin offerings. This tactical manoeuvre may change the market for premium chocolate. The single-origin market for coffee and tea is of much wider interest and is also marketed more directly to EU consumers. For example, Mount Kenya teas growing on the slopes of the mountain, or Café de Colombia – which is actually a protected brand on the EU market.

To obtain the legal right to sell only your, or your region's, coffee or tea under a protected name is not easy. Although the EU offers protection for regional denominations, such procedures take a long time. Moreover, it is not certain that the protection will be obtained, which makes the considerable investment involved quite risky. Important also is that these regional denominations also mean that, if your plantation or farm is located outside that area, you are excluded from using the regional denomination, which could actually reduce your opportunities on the EU market. Striving for recognition of a regional denomination is usually outside the scope of a single producer. A Business Support Organization could play a critical role in this respect, by facilitating the application process, through handling communication with relevant EU institutions, by organizing producers, demarcating areas to be recognized etc.

More often, a marketing approach to single origin is sought without the legal protection of denomination. The main success stories in this respect concern the very high prices paid for regional specialties, such as Jamaican Blue Mountain Coffee. However, exporters in developing countries cannot just decide to market their products as a single-origin product. Development of single origin, which is in this sense a brand that needs to be marketed, takes time, and needs to be related to a high quality, and/or a specific 'story'. Only certain locations will 'ring a bell' with EU consumers. As such, it requires time, a good quality product, often a specific story underwriting the uniqueness of the location, and considerable funding. The substantial investments in time and funding needed make it risky to realign your marketing efforts towards single-origin.

APPENDIX A PRODUCT CHARACTERISTICS

Product groups

Coffee
Commercially, the most important coffee varieties are *Coffea arabica* (Arabica) and *Coffea canephora* (Robusta). In comparison with Arabica, 30% higher yields are gained from Robusta, but Robusta's price is also about 30% lower.

	Arabica	Robusta
Share of global production	approximately 70%	approximately 30%
Site requirements	High altitude: fluctuations in annual rainfall and temperature	Low altitude: steady high temperatures and rainfall
Main growing areas	Latin America, Central and East Africa, India, Indonesia	Asia, West and Central Africa, Brazil
Caffeine content	0.8-1.4%	1.7-4.0%
Diseases/pests	Susceptible to the berry borer and coffee rust	Resistant to the berry borer and coffee rust

Source: ICO, 2009

Two other species which are grown on a much smaller scale are *Coffea liberica* (Liberica coffee) and *Coffea dewevrei* (Excelsa coffee). Raw coffee is treated by processing the ripe, red coffee berries of the bush-like coffee tree, and is referred to as green coffee. Processing includes dry or wet processing, de-hulling, grading, cleaning, sorting and packing. Blending, roasting, packing and in some cases decaffeinating green coffee is mostly carried out in the importing countries. Because the market share of developing countries in the roasted coffee market is very limited, this survey focuses on green coffee.

Tea
The tea varieties cultivated are all hybrids of the original tea plant *Cammelia sinensis*. Commercially, there are three major varieties of *Camellia sinensis*: the China type, the India (Assam region) type, and the Hybrid type (a cross breed of the China and India types). The China type tea plant has small leaves and usually grows well at higher altitudes. The India type has larger leaves and cultivates best at lower elevations. The Hybrid falls somewhere in between. Manufacturing of tea includes sorting, withering, rolling, fermentation, drying and sifting. Although tea is not produced in the EU, blending, packaging and, if applicable, flavouring of tea usually takes place in the EU.

There are four major types of tea: White, Black, Green and Oolong. This study focuses mainly on black tea and green tea, by far the largest categories. All these teas come from the raw leaves of the same plant. What distinguishes each category is the method used when processing the tea leaves.

- White tea: Steamed and dried.
- Black tea: Fully fermented tea.
- Green tea: Certain enzymes in the fresh leaves are deactivated through heat treatment. Only then is the product rolled and dried. Fermentation is suppressed by deactivating these enzymes and the leaves retain their green colour.
- Oolong tea: The fermentation process is halted at an earlier stage (partly fermented tea).

Tea spin-offs, such as scented, flavoured or blended teas, are produced using one of the four major types of tea as a base. Instant teas are made either from low-quality teas (fermented and dried), or from non-dried tea in a special process directly after fermentation. Instant teas lose much of their aroma during the extraction and subsequent freeze-drying processes. Although not included under the term tea, there are herbal teas, especially rooibos, which are still increasing in popularity across the EU, although they are already quite important in some countries. Herbal infusions actually do not include leaves of *Camellia sinensis*, and can actually be seen as a competing product. Although they are an important growth market, they have not been included in data of this survey, as they are included in larger, more encompassing CN codes. Therefore, information on these products is mostly limited to qualitative data; the latter have been included in this survey. For herbal infusions, please refer to the CBI product survey herbal infusions.

Cocoa

This survey focuses on the market for cocoa beans, but also looks into markets for processed cocoa products such as cocoa paste, cocoa butter and cocoa powder.

Cocoa beans

Although cocoa fruits mature throughout the year, usually there are only two harvests. The fruits are cut from trees and allowed to mellow on the ground. The extracted beans are fermented before drying in the sun, at which time they change from purple to brown. Beans are then bagged for further processing, which firstly concerns roasting and grinding to form cocoa paste. While other material is discarded, they have certain applications [3]. Cocoa beans are not produced in the EU. The products below will be referred to as processed cocoa products.

Cocoa liquor/paste/mass

Cocoa paste (also called liquor or mass) concerns cocoa particles suspended in cocoa butter. The cocoa paste is pressed to extract the cocoa butter leaving a solid mass called cocoa press cake, which is pulverised to make cocoa powder. Cocoa cake is also traded separately but mainly on a continental scale; it is of limited interest for developing country producers and therefore not included here. Cocoa paste is also used directly in the production of chocolate.

Cocoa powder

Cocoa powder contains not less than 20% cocoa butter, calculated according to the weight of the dry matter, and not more than 9% water. Fat-reduced cocoa powder signifies cocoa powder containing less than 20% cocoa butter. Cocoa powder is used in a very wide range of food products and beverages.

Cocoa butter

Cocoa butter designates the fat obtained from cocoa beans or their parts. It has to conform to:
• Maximum of 1.75% free fatty acid content
• Maximum of 0.5% unsaponifiable matter, except for pressed cocoa butter for which the maximum is 0.35%.
Cocoa butter is the only product which is used outside of the food sector, i.e. in cosmetics.

Conventional versus certified production

Sustainability is an increasingly important topic in the markets for Coffee, Tea and Cocoa. Therefore these surveys have a special focus on Organic, Fairtrade, UTZ certified and Rainforest Alliance, coffee, tea and cocoa. These markets grow faster, offer a premium, and traded volumes are smaller than in the conventional market, which makes it more interesting for DC exporters. Although this market in some countries is still hardly developed, having certification in place generally improves market access in the EU.

Organic farming is practised in almost all countries of the world. The development which has taken place in the organic market in recent years has been driven in Europe by a solid base of producers and consumers, who are convinced of the ecological and social benefits of organic methods. Therefore, organic food products are increasingly becoming an established market segment. In 2007, organic consumption in the EU exceeded € 15.5 billion (FiBL 2009). The market for organic products offers good possibilities to exporters of coffee, tea and cocoa, in which growth exceeds developments in the regular market.

[3] An ICCO (International Cocoa Organisation) funded project finished in 2003 had the objective to assess the possibilities for the commercial production and marketing of a range of by-products using these materials. Products investigated include animal feed and potash derived from cocoa-pod husk. Cocoa-pulp juice is used in the production of soft drinks, alcoholic drinks, industrial alcohol, pectin, marmalade and jams.

Products labelled as organic are those certified as having been produced using clearly defined organic production methods. In other words, "organic" is a claim related to the production process rather than to the product itself. It should be noted that the term "organic" is mainly used by the English-speaking countries, while other countries (for instance French-speaking) use the term "biologic".

Standards for organic food production and labelling in the European Union are laid down in Council Regulation (EEC) 2092/91. This regulation and subsequent amendments establish the main principles for organic production at farm level and the rules which must be followed for the processing, sale and import of organic products from third (non-EU) countries. Principles for Fairtrade or other certification schemes are laid down by their respective certification bodies. Fairtrade certification, for example, is administered by FLO International.

Statistical product classification

Combined nomenclature (CN)
This survey uses trade data based on the Combined Nomenclature. These data are provided by Eurostat, the statistical body of the EU. The abbreviation CN stands for Combined Nomenclature. The Combined Nomenclature contains the goods classification prescribed by the EU for international trade statistics. The CN is an 8-digit classification consisting of a further specification of the 6-digit Harmonised System (HS). HS was developed by the World Customs Organisation (WCO). The system covers about 5,000 commodity groups, each identified by a six-digit code. More than 179 countries and economies use the system. In this survey, CN data are used to indicate imports and exports.

Statistical data: limitations
Trade figures quoted in CBI market surveys must be interpreted and used with extreme caution.

In the case of intra-EU trade, statistical surveying is only compulsory for exporting and importing firms whose trade exceeds a certain annual value. The threshold varies considerably from country to country, but it is typically about € 100,000. As a consequence, although figures for trade between the EU and the rest of the world are accurately represented, trade within the EU is generally underestimated.

Furthermore, the information used in CBI market surveys is obtained from a variety of sources. Therefore, extreme care must be taken in the qualitative use and interpretation of quantitative data, it puts limitations to in-depth interpretation of relations between consumption, production and trade figures within one country and between different countries.

Selected EU countries

This market survey consists of a survey on the EU and several surveys on individual Member States. There is no survey available for EU countries which import $ 500,000 or less from CBI target countries.

HS code	Product
Coffee	
0901 11/12	Green coffee
0901 21/22	Roasted coffee
Tea	
0902	Tea
0902 10/20	Green Tea
0902 30/40	Black Tea
Cocoa	
1801	Cocoa beans, whole or broken, raw or roasted
1803	Cocoa paste
1804	Cocoa butter
1805	Cocoa powder without added sugar or sweeteners

APPENDIX B INTRODUCTION TO THE EU MARKET

The European Union (EU) is the current name for the former European Community. Since January 1995 the EU has consisted of 15 member states. Ten new countries joined the EU in May 2004. In January 2007 two more countries – Bulgaria and Romania - joined the EU. Negotiations are in progress with a number of other candidate member states. In this survey, the EU is referred to as the EU27, unless otherwise stated.

Cultural awareness is a critical skill in securing success as an exporter. The enlargement of the EU has increased the size of the EU, and also significantly increased its complexity. Because there are more people from culturally diverse backgrounds, effective communication is necessary. Be aware of differences in respect of meeting and greeting people (use of names, body language etc.) and of building relationships. There are also differences in dealings with hierarchy, presentations, negotiating, decision making and handling conflicts. More information on cultural differences can be found in chapter 3 of CBI's export manual 'Exporting to the EU (2006)'.

General information on the EU can also be found at the official EU website http://europa.eu/abc/governments/index_en.htm or the free encyclopaedia Wikipedia http://en.wikipedia.org/wiki/Portal:Europe.

Monetary unit: Euro
On 1 January 1999, the Euro became the legal currency within eleven EU member states: Austria, Belgium, Finland, France, Germany, Italy, Ireland, Luxembourg, The Netherlands, Spain, and Portugal. Greece became the 12th member state to adopt the Euro on January 1st, 2001. Slovenia adopted the Euro in 2007 and Cyprus and Malta in 2008. Slovakia adopted the Euro on January 1st 2009. Since 2002, Euro coins and banknotes replaced national currency in these countries. Denmark, United Kingdom and Sweden have decided not to participate in the Euro.

In CBI market surveys, the Euro (€) is the basic currency unit used to indicate value.

Table 1 Exchange rates of EU currencies in €, average yearly interbank rate

Country	Name	Code	2009	January 2010
Bulgaria	Lev	BGN	0.511	0.511
Czech Republic	Crown	CZK	0.038	0.038
Denmark	Crown	DKK	0.134	0.134
Estonia	Crown	EEK	0.064	0.064
Hungary	Forint	HUF	0.004	0.004
Latvia	Lats	LVL	1.426	1.406
Lithuania	Litas	LTL	0.291	0.289
Poland	Zloty	PLN	0.232	0.251
Romania	Lei	RON	0.237	0.243
Sweden	Crown	SEK	0.094	0.099
United Kingdom	Pound	GBP	1.123	1.144

Source: Oanda http://www.oanda.com/ (January, 2010)

APPENDIX C LIST OF DEVELOPING COUNTRIES

OECD DAC list - January 2006. When referring to developing countries in the CBI market surveys, reference is made to the group of countries on this OECD DAC list of January 2006.

Afghanistan	Gabon	Nepal	Uruguay
Albania	Gambia	Nicaragua	Uzbekistan
Algeria	Georgia	Niger	Vanuatu
Angola	Ghana	Nigeria	Venezuela
Anguilla	Grenada	Niue	Vietnam
Antigua and Barbuda	Guatemala	Oman	Wallis & Futuna
Argentina	Guinea	Pakistan	Yemen
Armenia	Guinea-Bissau	Palau	Zambia
Azerbaijan	Guyana	Palestinian Admin. Areas	Zimbabwe
Bangladesh	Haiti	Panama	
Barbados	Honduras	Papua New Guinea	
Belarus	India	Paraguay	
Belize	Indonesia	Peru	
Benin	Iran	Philippines	
Bhutan	Iraq	Rwanda	
Bolivia	Jamaica	Samoa	
Bosnia & Herzegovina	Jordan	Sao Tome & Principe	
Botswana	Kazakhstan	Saudi Arabia	
Brazil	Kenya	Senegal	
Burkina Faso	Kiribati	Serbia	
Burundi	Korea Rep. of	Seychelles	
Cambodia	Kyrgyz Rep.	Sierra Leone	
Cameroon	Laos	Solomon Islands	
Cape Verde	Lebanon	Somalia	
Central African Rep.	Liberia	South Africa	
Chad	Libya	Sri Lanka	
Chile	Macedonia	St. Helena	
China	Madagascar	St. Kitts Nevis	
Colombia	Malawi	St. Lucia	
Comoros	Malaysia	St. Vincent & Grenadines	
Congo Democratic Rep.	Maldives	Sudan	
Congo Rep.	Mali	Suriname	
Cook Islands	Marshall Islands	Swaziland	
Costa Rica	Mauritania	Syria	
Cote d'Ivoire	Mauritius	Tajikistan	
Croatia	Mayotte	Tanzania	
Cuba	Mexico	Thailand	
Djibouti	Micronesia, Fed. States	Timor-Leste	
Dominica	Moldova	Togo	
Dominican Republic	Mongolia	Trinidad & Tobago	
Ecuador	Montenegro	Tunisia	
Egypt	Montserrat	Turkey	
El Salvador	Morocco	Turkmenistan	
Equatorial Guinea	Mozambique	Turks & Caicos Islands	
Eritrea	Myanmar	Tuvalu	
Ethiopia	Namibia	Uganda	
Fiji	Nauru	Ukraine	

CBI countries – January 2008:

CBI supports exporters in the following Asian, African, Latin American and European (Balkan) countries:

Afghanistan
Albania
Armenia
Bangladesh
Benin
Bolivia
Bosnia-Herzegovina
Burkina Faso
Burundi
Colombia
Ecuador
Egypt
El Salvador
Ethiopia
Georgia
Ghana
Guatemala
Honduras
India
Indonesia
Jordan
Kenya
Kosovo
Macedonia
Madagascar
Mali
Moldova
Montenegro
Morocco
Mozambique
Nepal
Nicaragua
Pakistan
Peru
Philippines
Rwanda
Senegal
Serbia
South Africa
Sri Lanka
Suriname
Tanzania
Thailand
Tunisia
Uganda
Vietnam
Zambia

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