CBI MARKET SURVEY

THE (ORGANIC) COFFEE, TEA AND COCOA MARKET IN THE EU

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REPORT SUMMARY

This CBI market survey profiles the (organic) coffee, tea and cocoa market in the EU. The (organic) coffee, tea and cocoa market in individual EU countries is discussed in separate market surveys. These market surveys as well as EU export marketing guidelines for (organic) coffee, tea and cocoa can be downloaded from http://www.cbi.nl/marketinfo.

Consumption and trends

According to the International Coffee Organization (2007), in 2005, total EU coffee consumption amounted to 36.8 million bags (2.2 million tonnes), representing an average EU per capita consumption of 4.81 kg. With a share of 22% of total EU consumption, Germany represents the largest consuming country, followed by Italy (15%) and France (14%). In terms of per capita consumption, Finland has the highest per capita consumption with 12.7 kg in 2005, followed by other Nordic countries such as Denmark (9.0 kg) and Sweden (7.7 kg). Coffee is also a popular beverage among the populations in new EU member states, such as Estonia (6.7 kg) and Slovenia (6.0 kg).

In 2005, the EU consumed 237.6 thousand tonnes of tea, of which 128.2 thousand tonnes was consumed in the United Kingdom (International Tea Committee, 2007). Other leading EU markets for tea are Poland, accounting for 13% of total EU consumption in 2005, Germany (8%), France (6%), Ireland (4%) and The Netherlands (3%). In terms of per capita consumption, tea is most popular in Ireland and the United Kingdom, having a per capita consumption of 2.8 kg and 2.1 kg respectively in 2005.

The buyers of cocoa beans in the consuming countries are traders, processors and vertically integrated chocolate manufacturers. A few multinational companies dominate processing of cocoa beans and paste. The most important production sites are located in The Netherlands, Switzerland (Barry Callebaut) and Germany. Consumption of cocoa is impossible to determine, due to the fact that processed cocoa products (butter, powder etc.) are used in a wide range of industries and in an even wider range of products. 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 1.33 million tonnes in the cocoa year 2005/06. During the review period, EU grindings increased by 3.4% per year, demonstrating the positive development of demand for cocoa. The most important cocoa grinding EU member country is The Netherlands, followed at a distance by Germany. Other countries with considerable cocoa grinding facilities are France and the United Kingdom, while Italy, Spain and Belgium have medium sized processing industries. Chocolate confectionery, by far the largest end-use for cocoa, is very popular in Belgium, Germany, Ireland, the United Kingdom and Austria, all having a per capita consumption of 8.5 kg or higher in 2004 (Caobisco, 2007). In the same year, total consumption of chocolate confectionery in the EU-15 amounted to 2.3 million tonnes and it is expected that this will continue to increase.

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 with regard to environmental and social aspects of production had led to increased importance of ‘sustainable’ coffee, tea or cocoa, including organic, fair trade, Utz Kapeh, and other certification schemes. A “Common Code for the Coffee Community” (4C) and a ‘Sustainable Coffee Initiative’ also have received support.
- In line with 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.

Production

Because of climatic conditions, no production of coffee, tea and cocoa beans takes place within the EU. For these products, the EU is fully dependent on imports from other countries. Coffee and tea are processed in the EU, however, these companies buy from developing country producers and do not compete on the same markets, because developing countries play no role in the EU market for roasted coffee and tea blends. The EU is, however, a major grinder of cocoa beans imported from developing countries, and is therefore a competitor for developing countries on the markets for processed cocoa products. The Netherlands is the leading grinder and is also the world's leading producer of cocoa powder.

Imports

Between 2001 and 2005, imports of coffee increased by 4.4% annually in value, and by 1.0% in volume, amounting to € 5.2 billion / 3.1 million tonnes in 2005. Germany is the leading EU importer, accounting for almost 30% of total EU coffee imports, followed by France (12%), Italy (11%) and Belgium (7%). Imports mostly come directly from developing countries, with direct imports accounting for 68.4% of total imports in value and 80.2% in volume.

Imports of tea into the EU have been decreasing each year between 2001 and 2005. However, while imports decreased by 4.6% in value, the volume imported diminished by only 0.4% annually, reaching € 706 million / 323 thousand tonnes in 2005. This shows an overall decrease in import prices, although this trend is not universal across the EU. A significant part of the decrease in value is due to decreasing imports by the United Kingdom, traditionally the biggest market for tea and with an important function in the trade of tea. Other leading EU importers are Germany (14%), France (12%), The Netherlands (8%) and Poland (7%). More than 60% of EU tea imports is sourced directly in developing countries, while the remainder consist of re-exports by other EU member countries.

In terms of value, the EU imports of cocoa beans, cocoa paste and cocoa powder increased significantly between 2001 and 2005, amounting to € 2.1 billion, € 552 million and € 332 million respectively in the latter year. Increases in terms of volume were less significant, indicating an overall increase in import prices of cocoa products in the EU between 2001 and 2005. Import volumes amounted to 1.59 million tonnes for cocoa beans, 0.33 million tonnes for cocoa paste and to 0.39 million tonnes for cocoa powder in 2005. Imports of beans mostly originate directly in developing countries, and amount to almost 60%. Powder imports come mostly, and increasingly, from EU countries.

The Netherlands, Germany, Belgium and France are the leading importers of cocoa beans and derivate products. Except for France, imports into these countries are growing faster than the overall imports into the EU. The United Kingdom and Italy also play a role for some product groups, but the UK is decreasing in importance as an importer. Spain is also gaining in importance as an importer of cocoa beans and the selected cocoa products. No regional development trends can be discerned.

Trade structure

The three product groups discussed are distributed in a different manner. The trade structures for coffee and tea share important characteristics, but also differ in, for example, the role of warehouses and auctions. Particularly the cocoa trade, with its three main products of cocoa beans, paste and powder and its industrial focus, has a different 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 can also be an interesting channel. Regarding organic products, the main organic traders, mostly located in Germany and The Netherlands, are probably the most important trade channel.

For more information, please also refer to the additional CBI document 'From Survey to Success' which assists developing country exporters in how to evaluate whether or not to become involved in international business, and to learn how to go about exporting to the EU.

1 INTRODUCTION TO CBI'S MARKET INFORMATION

CBI provides a wide range of documents containing EU market information. All CBI market information is targeted at developing countries. See appendix B List of developing countries for the definition of developing countries used in CBI market surveys.

Sector specific market information
CBI publishes market information for about 37 market sectors. For each market sector, the following kind of information is available:

- CBI market surveys on **the EU market in general**, focusing on developments and trends in the field of market size (consumption, production and trade), distribution and prices in the EU. E.g. 'The fresh fruit and vegetables market in the EU'.
- CBI market surveys on **the market in specific EU countries**, focusing on developments and trends in the field of market size, distribution and prices in the EU country concerned. E.g. 'The fresh fruit and vegetables market in Spain'. On average, about 20 documents per market sector are available. Those EU countries responsible for the highest share of total EU imports from CBI target countries are discussed in documents of about 10 pages. Less relevant EU countries are discussed in fact sheets of about 2 to 3 pages.
- CBI market surveys on a **specific product(group)** within the market sector concerned, focusing on developments and trends in the field of market size, distribution and prices in the EU and a number of specific EU countries as well as on business practices. E.g. 'The EU market for papaya'.
- **EU export marketing guidelines**, explaining how to conduct an external analysis (market audit) and internal analysis (company audit), a SWOT analysis and dealing with the decision-making process whether or not to export to the EU.
- Information on **market access requirements**, focusing on legislative and non-legislative requirements based on environmental, consumer health and safety and social concerns in the EU and in specific EU countries.

General trade related information
Besides information on specific market sectors, CBI also publishes more general trade related information, the so-called Export manuals. At the moment, the following Export manuals are available:

- Exporting to the European Union – trade-related information on the EU
- Export planner - how to plan your export process
- Your guide to market research - practical and low cost research methods
- Your image builder - how to present yourself on the EU market
- Your show master - selection, preparation and participation in trade fairs
- Digging for gold on the Internet - Internet as a source for market information
- Website promotion - how to promote your website in the EU

These Export manuals can be downloaded from the CBI website at http://www.cbi.eu/marketinfo. Go to 'Search CBI publications'.

How to use the different CBI market information tools
If you are new on the EU market, you are advised to start by consulting the more general Export manuals, like 'Exporting to the European Union' and 'Export planner', before consulting sector specific information. If you are a more experienced exporter, you can use these manuals as reference material while focusing on the specific information for your market sector.

Concerning the sector specific information, you are advised to start with the information on the EU market in general and the EU export marketing guidelines. After consulting this information, you should have gained a better idea on which surveys on the market in specific EU countries are most interesting to consult. It is advisable also to check if a survey on your specific product (group) is available. And you are strongly advised always to check the documents on market access for your product.

Finally, it is stressed that CBI market information serves as a basis for further research, meaning that, after consulting the CBI information, you should further research your EU target markets for more detailed and specific information related to your specific situation.

The (organic) coffee, tea and cocoa market in the EU

This CBI market survey covers the EU market for coffee, tea and cocoa. The emphasis of this survey lies on those products, which are of importance to developing country suppliers. Statistical market information on consumption, production and trade, and information on trade structure, prices and market access is provided. Opportunities and threats for developing country suppliers are highlighted and sources for more information are provided.

For information on how to get involved in the EU marketplace reference is made to the EU export marketing guidelines. These EU export marketing guidelines can be downloaded from http://www.cbi.eu/marketinfo and are especially interesting for more experienced exporters. Go to 'Search CBI database' and select the market sector concerned and the EU.

If you are a starting exporter, you are advised to read this survey together with CBI's 'Export planner' and to use the interactive tool 'EMP Document Builder' on the CBI website.

CBI market surveys covering the market in specific EU countries, specific product(group)s or documents on market access requirements can be downloaded from the CBI website. Go to 'Search CBI database' on http://www.cbi.eu/marketinfo and select the market sector concerned and an EU country.

2 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. Negotiations are in progress with a number of other candidate member states. In this survey, the EU will be referred to as the EU25, unless otherwise stated.

For general information on EU member states, reference is made to CBI's Export manual 'Exporting to the European Union (2006)'. Information 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 thirteen 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 1, 2001, while Slovenia adopted it on January 1, 2007. In 2002 circulation of 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 2.1 Exchange rates of EU currencies in €, average yearly interbank rate

Country	Name	Code	2006	March 2007
Bulgaria	Lev	BGN	0.51387	0.51300
Cyprus	Pound	CYP	1.77133	1.74272
Czech Republic	Crown	CZK	0.03532	0.03495
Denmark	Crown	DKK	0.13407	0.13402
Estonia	Crown	EEK	0.06390	0.06390
Hungary	Forint	HUF	0.00380	0.00386
Latvia	Lats	LVL	1.44130	1.44278
Lithuania	Litas	LTL	0.28962	0.28962
Malta	Lira	MTL	2.33703	2.33735
Poland	Zloty	PLN	0.25748	0.25900
Romania	Lei	ROL	0.28480	0.28594
Slovakia	Crown	SKK	0.02694	0.02676
Sweden	Crown	SEK	0.10812	0.10651
United Kingdom	Pound	GBP	1.46725	1.45179

Source: Oanda http://www.oanda.com/ (December 2006)

3 PRODUCT CHARACTERISTICS

Product groups

Coffee

Economically 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 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, 2007

Two other species which are grown on a much smaller scale are *Coffea liberica* (Liberica coffee) and *Coffea dewevrei* (Excelsa coffee). Raw coffee is made by processing the ripe, red coffee cherries of the bush-like coffee tree. Processing includes dry or wet processing, dehulling, grading, cleaning, sorting and packing. Blending and roasting the raw coffee is mostly carried out in the importing countries.

Tea

The tea varieties cultivated are all hybrids of the original tea plants *Cammelia sinensis* or *Thea 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.

There are four major types of tea: White, Black, Green and Oolong. 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 inactivated 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.

Not directly included under tea, there are herbal teas, especially rooibos, which are quickly increasing in popularity across the EU. Although they are an important growth market, they have not been included in this survey, as they do not have specific CN codes. Therefore, information on these products is mostly limited to qualitative data; the latter have been included in this survey.

Cocoa

This survey focuses on the market for cocoa beans, but will also look into markets for processed cocoa products such as cocoa paste and cocoa powder. A fourth important product within cocoa, cocoa butter, is not discussed in this survey, but can be found in the CBI market survey 'Vegetable oils and fats in the EU'.

Cocoa beans

Although fruits mature throughout the year, usually only two harvests are made. Pods 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 [1]. 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, and is of limited interest for developing country producers. Cocoa paste is also used directly to make chocolate, also adding cocoa butter.

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 designates cocoa powder containing less than 20% cocoa butter.

Conventional versus organic production

Organic farming is carried on in almost all countries of the world. The development which has taken place in the organic market in recent years has thus 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 2005 organic consumption in the EU exceeded € 14 billion (FiBL 2007)[2]. The market for organic products offers good possibilities to exporters of coffee, tea and cocoa, with growth exceeding developments in the regular market. Fair Trade, and also other certification schemes for coffee, offer good possibilities also increasingly in combination with other organic certification. Moreover, organic and other certified products, as well as high quality specialties, are an especially good opportunity, because conventional products are mass commodities where traded quantities are large and it is more difficult to compete. Organic products also offer a premium compared to conventional products.

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 use the term "biologic". Also of importance is the term "sustainable" agriculture or production, which is often used in literature. Sustainable is a broader term than organic, which, while also including organic, also includes natural or Fair Trade agriculture for example. This survey uses the term sustainable when a combination of certification schemes is discussed.

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

[1] 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.
[2] BioPlus AG/ORA/Organic Monitor/FiBL 2007

the processing, sale and import of organic products from third (non-EU) countries. Principles for Fair Trade or other certification schemes are laid down by their respective certification bodies. Fair Trade 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, arranged in a legal and logical structure. More than 179 countries and economies use the system.

Please refer to Appendix A for a list of the selected products and their CN codes.

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 on in-depth interpretation of relations between consumption, production and trade figures within one country and between different countries.

4 CONSUMPTION

4.1 Market size

Coffee, tea and cocoa

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, it will give specifically focus on the markets for sustainable coffee, tea and cocoa, as organic, Fair Trade, and other certification schemes offer exporters in developing countries good opportunities. These markets grow faster, offer a premium, and traded volumes are smaller than in the conventional market. Secondly, whereas the coffee and tea consumption are referred to as consumption, where for cocoa this is referred to as industrial demand. Coffee and tea processors directly produce consumer products, while cocoa grinders produce ingredients. These are used by industrial users such as chocolate manufactures and food processors. This means that for coffee and tea, data on final consumption by EU citizens is directly available, while data on processing is not. 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.

Coffee

Coffee is mainly consumed in the developed countries of the northern hemisphere, and much less in the producing countries in the South. Between 2001 and 2004, the EU coffee consumption showed a continued growth, with an average annual rate of 1% during that period. In 2005, however, consumption dropped by 6%, amounting to 36.8 million bags (2.2 million tonnes), representing a per capita consumption of 4.81 kg. Therefore, on average, total EU coffee consumption decreased by 0.6% annually 2001 and 2005.

Despite an average annual decrease of 4% since 2001, Germany remains, by far, the leading EU consumer of coffee, holding a share of 22% of total EU consumption in 2005, which is equivalent to 8.05 million bags. Other important EU coffee consuming countries are Italy (15% of total EU consumption in 2005), France (14%), Spain (8%), UK (7%), and Poland (6%). Of these countries, the United Kingdom and Poland showed the largest average annual growth rates during the survey period.

According to ICO, coffee consumption per capita was the highest in Finland, amounting to 12.7 kg per capita in 2005. Other EU member countries with high per capita consumption are Scandinavian countries such as Denmark (9.0 kg) and Sweden (7.7 kg). Coffee is also a popular beverage among the populations in new EU member states, such as Estonia (6.7 kg) and Slovenia (6.0 kg).

Table 4.1 EU consumption of coffee, 2001-2005, total in 1,000 bags (at 60 kg per bag), per capita in kg per annum, average annual change in % of total coffee consumption

	2001		2003		2005		Average % change in total consumption
	Total	Per capita	Total	Per capita	Total	Per capita	
EU	**37,762**	**4.99**	**38,363**	**5.04**	**36,829**	**4.81**	**-0.6%**
Germany	9,475	6.90	9,076	6.59	8,052	5.84	-4.0%
Italy	5,252	5.45	5,503	5.70	5,460	5.64	1.0%
France	5,241	5.28	5,429	5.43	5,053	5.01	-0.9%
Spain	2,869	4.19	2,826	4.02	2,959	4.12	0.8%
United Kingdom	2,185	2.23	2,189	2.22	2,396	2.41	2.3%
Poland	1,958	3.04	2,096	3.26	2,178	3.39	2.7%
The Netherlands	1,732	6.50	1,827	6.79	1,454	5.35	-4.3%

	2001		2003		2005		Average % change in total consumption
	Total	Per capita	Total	Per capita	Total	Per capita	
Belgium/Lux.	987	*5.50	1,719	*9.53	1,307	*7.21	7.3%
Sweden	1,259	8.49	1,181	7.90	1,162	7.71	-2.0%
Finland	952	11.01	971	11.16	1,112	12.70	4.0%
Greece	578	3.15	1,003	5.44	911	4.91	12.0%
Denmark	863	9.66	725	8.06	814	9.00	-1.5%
Austria	1,049	7.76	757	5.57	810	5.95	-6.3%
Portugal	768	4.48	678	3.92	782	4.28	0.5%
Czech Republic	659	3.85	556	3.26	534	3.14	-5.1%
Hungary	740	4.36	611	3.61	392	2.33	-14.7%
Slovakia	308	3.44	318	3.55	368	4.10	4.6%
Lithuania	214	3.68	189	3.27	251	4.38	4.1%
Ireland	147	2.29	151	2.26	226	3.26	11.4%
Slovenia	193	5.81	182	5.46	200	5.99	0.9%
Latvia	156	3.96	169	4.36	166	4.31	1.6%
Estonia	110	4.84	118	5.23	150	6.65	8.1%
Cyprus	53	3.98	54	3.98	70	4.97	7.2%
Malta	15	2.32	34	5.07	23	3.52	11.3%

* Average of Belgium and Luxembourg together
Source: ICO Coffee Market Reports (September 2006, December 2006)

Organic coffee
A curious phenomenon in much of northern Europe is that consumption of organic coffee has not responded to falling prices. Some observers note that, to increase the market share of sustainable grown coffee in these markets, much more attention must be paid to branding and promotion, in addition to quality. It is estimated that consumers in the 11 major EU member states together used approximately 27.4 million kilograms of certified organic coffees in 2004, constituting only 1% of total coffee sales in Europe. Table 4.2 shows the sustainable (organic and Fair Trade) coffee market, as well as the specific Fair-Trade and Organic and double certified markets. Fair trade was until recently the volume leader among these coffees in Europe, while organic and Utz Kapeh certifications were growing at a faster rate. However, recently Utz Kapeh has taken over this lead, with 600,000 bags of coffee purchased as Utz Kapeh worldwide (Utz Kapeh website 2007). Starting from an initiative by Ahold Coffee in 2003, it was quickly followed by other retailers and is rapidly spreading to other sectors. For example, McDonalds announced it would feature certified sustainable coffees in Western Europe, mainly based on the Utz Kapeh scheme. No country specific data is available for Utz Kapeh however. Shade-grown and bird-friendly certifications have just begun to reach Europe, but might also profit from the McDonals scheme, with its sustainable coffee scheme based on bird-friendly certification in several countries.

Table 4.2 Market for sustainable coffee in 11 major EU countries, in tonnes

	2000	2001	2002*	2003*	2004*	Average % change
Total organic and/or FT	**18,923**	**21,266**	**22,733**	**24,991**	**27,388**	**9.7%**
Fair Trade (FT)	14,354	15,437	16,232	17,870	19,573	8.1%
Organic	9,270	11,174	12,162	13,221	14,405	11.6%
Double certified Organic & FT	*4,071*	*5,346*	*5,660*	*6,101*	*6,590*	*12.8%*

* Projections
Note: Data for the years 2002 to 2004 are estimates
Source: World Bank "The State of Sustainable Coffee", 2003

Germany is Europe's largest market for sustainable coffees, followed by The Netherlands and the UK. The sustainable market share is highest in Denmark, followed by The Netherlands. Sweden and Germany take an intermediate position. The market share of sustainable coffee is much smaller in France and Italy. However, sustainable coffee has recently become more widely available in both countries and future growth is expected. Coffee has the highest share of combined organic and fair trade certification of any product consumed in the EU. Increased quality and professionalism have earned both Fair-Trade and organic coffees more space in retail outlets.

Tea

The EU, with a total consumption of 237.6 thousand tonnes in 2005, accounts for 16.4% of global tea consumption. In 2001, this share was 18.4%. The United Kingdom is one of the world's leading consumers of tea, with a total consumption amounting to 128.2 thousand tonnes in 2005, accounting for more than half of total EU tea consumption. Other leading EU markets for tea follow at a distance: Poland, accounting for 13% of total EU consumption in 2005, Germany (8%), France (6%), Ireland (4%) and The Netherlands (3%). In terms of per capita consumption, tea is particularly popular in Ireland and the United Kingdom, having a per capita consumption of 2.8 kg and 2.1 kg respectively in 2005.

Most of the leading EU countries mentioned saw their tea consumption decrease between 2001 and 2005, which is also reflected in the average EU decrease of 0.8% annually. Of these EU member countries, only France (+0.7% annually) and The Netherlands (+0.4% annually) witnessed increase in their tea consumption during the review period. Other less important EU tea markets where tea consumption increased substantially are, in order of market volume, Italy (+7%), Finland (+9.5%), Greece (+21.1%), Slovakia (+7.6%) and Portugal (+20.2%).

Table 4.3 Tea imports for consumption in the EU, 2001-2005, in tonnes

	2001	2003	2005	Average % change
Total EU	**245,661**	**243,933**	**237,431**	**-0.8%**
United Kingdom	136,558	125,279	128,232	-1.6%
Poland	33,102	30,798	31,057	-1.6%
Germany	20,486	27,029	19,623	-1.1%
France	13,644	13,983	14,055	0.7%
Ireland	9,978	13,637	9,850	-0.3%
The Netherlands	7,385	7,000	7,500	0.4%
Italy	4,425	5,652	5,946	7.7%
Baltic States*	3,000	3,200	3,300	2.4%
Sweden	2,543	2,800	2,648	1.0%
Czech Republic	2,447	2,297	2,419	-0.3%
Belgium & Luxembourg	2,000	2,100	2,150	1.8%
Hungary	2,117	2,210	1,907	-2.6%
Austria	1,678	1,382	1,362	-5.1%
Denmark	1,744	1,610	1,360	-6.0%
Finland	921	917	1,322	9.5%
Spain	1,300	1,200	1,230	-1.4%
Greece	535	900	1,150	21.1%
Slovakia	650	800	870	7.6%
Portugal	311	396	650	20.2%
Malta	687	600	640	-1.8%
Cyprus	150	143	160	1.6%

* Estonia, Latvia and Lithuania
Note: Imports adjusted for re-exports
Source: International Tea Committee's Annual Bulletin of Statistics 2006

The tea market has seen a decline in sales of mainstream black tea bags. Black tea accounts for about 75% of global production and over 90% of the market in Western countries. However, as is also reflected in the increasing EU imports of this product, green tea is increasingly gaining popularity in the West, partly due to health reasons.

Organic tea
The leading EU markets for organic tea are the UK and Germany, with an estimated consumption of 1,000-1,500 tonnes and 600-800 tonnes respectively in 2002. All other European countries consumed a maximum of 100 tonnes of green or black tea per year at that time, which would mean a market share well below 1%. It can be expected that the market has increased further in the last couple of years, considering the increasing attention for organic consumption across (Western) Europe, and the increasing focus on sustainability issues by consumers and increasing inclusion in main stream channels (which, outside of the UK remain of limited importance compared to organic retailing). While on the conventional tea market the price is relatively stable due to balance of supply and demand the small organic market is characterized by large price fluctuations.

Flo-Certified Fair Trade tea is sold predominately in the UK. Of the 2,366 tonnes sold in the EU, accounting for 90% of worldwide Fair Trade sales, sales in the United Kingdom amounted to 1,850 tonnes. France and Germany follow at a far distance.

Cocoa
The buyers of cocoa beans in the consuming countries are traders, processors and vertically integrated chocolate manufacturers. A small number of multinational companies dominate processing of cocoa beans and paste, the most important of which are located in The Netherlands and Germany. Both countries also have several important traders, but many are also located in the United Kingdom, Switzerland and France.

Table 4.4 Grindings of cocoa beans in the EU, 2001/02-2005/06, in 1,000 tonnes

	2001/02	2003/04	2005/06*	Average % change
EU-total	**1,160.7**	**1,226.2**	**1,328.2**	**3.4%**
The Netherlands	418.0	445.0	470.0	3.0%
Germany	195.1	224.5	302.4	11.6%
France	138.8	150.2	147.0	1.4%
United Kingdom	140.0	130.0	135.0	-0.9%
Spain	55.6	67.2	78.0	8.8%
Italy	66.1	66.0	64.5	-0.6%
Belgium	49.7	50.0	48.5	-0.6%
Poland	24.5	21.1	21.0	-3.8%
Ireland	13.5	10.2	20.0	10.3%
Czech Republic	15.8	14.7	-	-
Austria	24.3	26.7	12.0	-16.2%
Denmark	2.2	0.2	12.0	52.8%
Slovak Republic	9.8	10.3	10.0	0.5%
Greece	3.9	3.5	5.0	6.4%
Latvia	1.1	2.0	1.5	8.1%
Lithuania	2.2	4.5	1.2	-14.1%
Estonia	0.1	0.1	0.1	0.0%
Portugal	-	-	0.1	-

* Estimates
Note: cocoa year: 1 October to 30 September
Source: Icco Quarterly Bulleting 2006

Final consumption of cocoa is impossible to determine, due to the fact that processed cocoa products (butter, powder etc.) are used in broad 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 4.4.

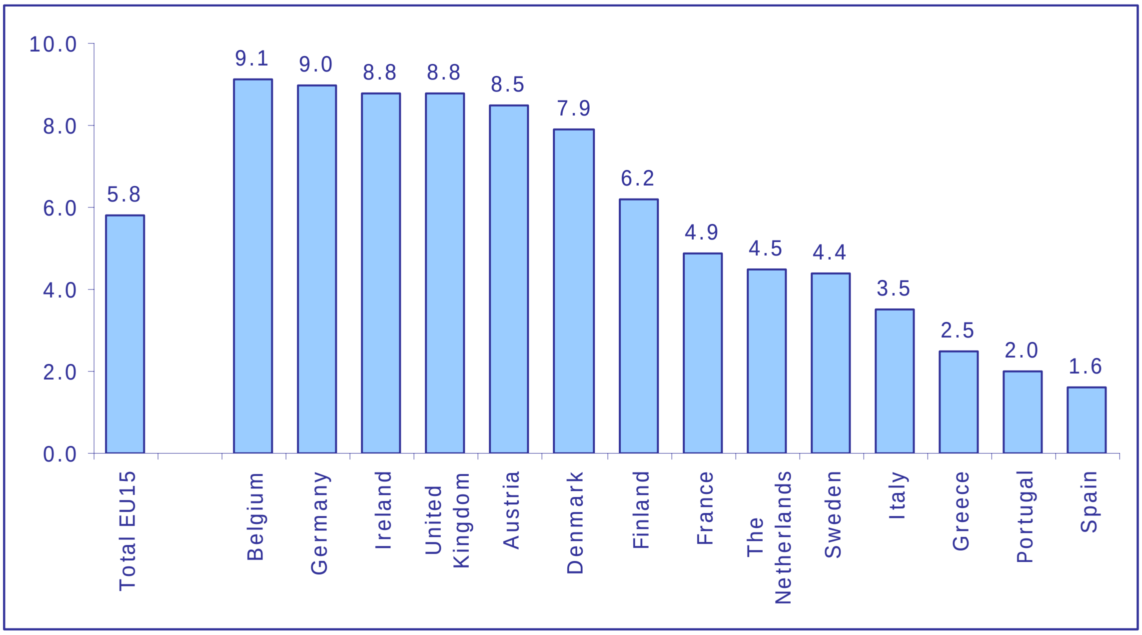
The European Union takes a dominant position in world grindings. Almost 40% of the global cocoa bean supplies are ground in the European Union, amounting to a volume of 1.33 million tonnes in the cocoa year 2005/06. Grindings in cocoa importing countries are larger than in cocoa bean exporting counties and are increasing at a higher rate. During the review period, EU grindings increased by 3.4% per year, demonstrating the positive development of cocoa demand.

The most important cocoa grinding EU member country is, by far, The Netherlands, followed at a distance by Germany. Other countries with considerable cocoa grinding facilities are France and the United Kingdom, while Italy, Spain and Belgium play an important role as well. Grinding in new EU 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, as FAO discontinued publishing apparent consumption for processed products, only giving import and export figures. In 2003, the latest year for which FAO apparent demand data is available, world consumption of cocoa butter was over 700 thousand tonnes and was growing 2% annually. Europe was the largest consuming region, accounting for 60% of world consumption.

Figure 4.1 shows that chocolate confectionery, by far the largest end-use of cocoa, is very popular in Belgium, Germany, Ireland, the United Kingdom and Austria, all having a per capita consumption of 8.5 kg or higher in 2004. Moreover, within the EU, consumption of chocolate confectionery is on the rise, also indicating increasing demand for cocoa beans and processed cocoa products. Between 2002 and 2004, total consumption of chocolate confectionery in the EU-15 increased by 2.3% annually, amounting to 2.3 million tonnes in 2004. It is expected that the consumption of confectionary and drinks containing chocolate and cocoa will continue to increase in the EU.

Figure 4.1 Consumption of chocolate confectionery in the EU, 2004, in kg per capita



Source: Caobisco (2007)

Thanks to increasing income in new EU member states, it can be expected that chocolate consumption will increase in these countries. It is expected that consumption in these countries, which, apart from the Czech Republic, consume far less chocolate than Western

European countries, will in time catch up with Western European levels. In interviews with industry sources, an increased demand especially for cocoa powder in these countries was already witnessed in confectionery, flavourings and beverages industries. Considering strong processing presence particularly in the western part of the EU, and an unfavourable development of the processing industry in the new EU member countries, a substantial part of this demand increase is likely to be supplied by processing countries such as The Netherlands, Belgium and Germany.

The feared diminishing demand for cocoa, which was expected due to changing legislation (Directive 2000/36/EC) for the use of cocoa butter replacers (CBRs) in chocolate, did not occur. According to industry sources, future trends will not suffer. This is 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 pricy. Markets for cocoa powder in the EU are also positive.

Organic cocoa
According to industry sources, organic products still account for a small share of the total market, but this share is steadily increasing. These sources indicate that the total industrial demand for organic and Fair Trade beans amounts to 25,000 to 30,000 tonnes annually, mostly in the EU and the USA. The EU takes, by far, the larger share of this demand, since part of American demand for organic cocoa is also sourced through European importers. In 2003, around 2,000 tonnes destined for the USA market were sourced through the EU. The largest EU markets are Germany, The Netherlands and France, although non-EU member Switzerland is also of great importance.

As European processors are seeing increased demand for organic cocoa products from their buyers (mostly chocolate makers), demand for organic beans is increasing. The organic market can be an important niche market for smaller producers of cocoa beans and butter. Several industry sources (large processors) indicated that they are currently examining potential suppliers of organic cocoa, while interest from specialized importers also remains strong. Although several processors and traders, including ADM and Theobroma, are currently looking for organic cocoa beans and processed cocoa products (especially butter), no shortages of organic cocoa are feared thanks to increasing organic cocoa production.

4.2 Market segmentation

Coffee

- *Green coffee* – the majority of coffee (more than 80%) is traded in unroasted, unprocessed form. Developing countries play a particularly important role within this segment.
- *Roasted coffee* – By far the majority of the coffee consumed in the EU consists of roasted and ground coffee. Apart from a limited share of soluble coffee consumption, roasting takes place in the EU.
- *Decaffeinated coffee* – It is estimated that decaffeinated coffee accounts for around 10% of all coffee sales (ITC 2002). Decaffeinated coffee is losing share as caffeine no longer appears to be an issue that most consumers are particularly concerned about. Moreover, with production predominately taking place in the EU, this is of limited interest for 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 only 8% of total coffee consumption, whereas in the United Kingdom and Ireland, both typically tea-consuming nations, this share amounts to about 75%. Among developing countries, it is mostly Brazil that plays a role supplying this segment, with production predominately taking place in Europe.
- *Ready-to-drink coffee* – Less important than in the Asian market, but upcoming 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. Today there are over 100 different flavoured varieties available.
- *Out-of-home* – 30% of coffee production takes place out of home, in restaurants, coffee bars, coffees etc. Espresso bars like Starbucks, serving a great variety of high-quality coffees, are becoming more popular.
- *Sustainable coffee* – coffee can also be segmented according to whether it is organically grown and/or Fair-Trade certified, or belongs to newer, smaller certification schemes. About 1% of the total EU coffee market consists of sustainable coffee, with large variations among the individual member countries (e.g. the UK has a relatively high share of fair-trade coffee). This is a very important segment for developing country producers.

Tea
- *Green / black tea* – Green tea is becoming more popular in the EU, at the expense of black tea consumption. Currently, black tea accounts for about 75% of global production and over 90% of the market in Western countries.
- *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.
- *Herbal tea* – Herbal drinks, particularly herbal teas and infusions, are becoming increasingly popular. In The Netherlands, for example, herbal infusions (e.g. rooibos) comprised 14.7% of total tea consumption in 2005, increasing from 12.3% in 2003 (Vereniging van Nederlandse Koffiebranders en Theepakkers (VNKT), 2006).
- *Ready-to-drink teas* – Iced tea was initially introduced in Belgium as a sports drink, but is now a widely accepted drink. It is a particularly popular beverage in Germany and Italy.
- *Sustainable tea* – Organic and/or Fair-Trade tea have gained popularity, although still account for a (very) small share of the total EU tea market. However, it forms an important segment for developing country producers.

Cocoa
The chocolate industry uses about 90% of total cocoa produced worldwide, according to Caobisco (2007, see Figure 4.1). The other 10% of cocoa is used in the production of flavourings, beverages, and to very limited extent in cosmetics (cocoa butter). These products include baking cocoa, hot cocoa mix, baking mixes, ice-cream, breakfast cereals and other packaged food, and cocoa-butter based body-care products.

4.3 Patterns and trends in consumption

Important 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 instant coffee, coffee and tea pods, chocolate bars, tea-for-one bags, iced tea and coffee, etcetera.
- *Sustainable products* – An increasing awareness with regard to environmental and social aspects has led to an increasing trend towards the certification of ‘sustainable’ coffee, tea or cocoa, including organic, fair trade, Utz Kapeh, and other labels. Utz Kapeh (for coffee) greatly profits from its recognition among retailers. A Common Code for the Coffee Community (4C) and a ‘Sustainable Coffee Initiative’ have also received support. Currently, the sustainable coffee market accounts for about 1% of the market, but is growing rapidly.
- *Health consideration* – in line with the trend towards organic certification, is the trend among EU consumers towards a healthy life-style and, consequently, increased consumption of health food.
- *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.

Coffee

- A few years ago, the electronics company Philips, together with the coffee roaster Sara Lee/Douwe Egberts, introduced the Senseo coffee machines in The Netherlands. This device uses coffee pods to make coffee. Since its introduction on the market, this concept had become extremely popular and the popularity has spilled over to a growing number of other EU member countries as well. In the espresso market, also a variety of capsules and pods is available. 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.
- Convergence in EU consumption patterns. 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.
- Retail expansion. There is a spread of high-end coffee shops, bringing a new culture and appeal to young people. Starbucks and other specialty coffee shops are the new hangout spots for young people, offering a wide range of coffee and coffee-related quality products. Fast food chains are gearing up to take part in this rising consumption.
- 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.

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. More recently, Douwe Egberts of The Netherlands introduced tea pods in The Netherlands, which can be used in Senseo coffee machines. Industry sources expect that these so-called 'T-pads' will become popular in other EU member countries as well, just like its coffee pods counterpart.
- Responding to the growing number of single households and to 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.
- Herbal teas and infusions are becoming increasingly popular. Noteworthy is the consumption of rooibos tea (officially not a tea), which has showed 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 by South Africa.
- Pyramid teabags are the trend for the future with leaf tea/herbs instead of teabag tea

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 growth in chocolate confectionery sales is being sought in special occasions (St. Valentine's Day, Easter or Christmas) and in special or attractively packed chocolates for young people, e.g. chocolate for children, or chocolate for nutritional replenishment after sports.
- Within the chocolate market, the health trend is fuelled by marketing campaigns portraying chocolate as a healthy product. According to industry 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.

Opportunities and threats for exporters of coffee in developing countries:
***Opportunities*:**
• Green coffee is mostly supplied by developing countries. • The popularity of sustainable coffee is increasing. • Single origin coffee, with outstanding characteristics, could also offers 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 as such 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 handalso means that investments in processing facilities are not needed. • 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 has shown a considerable decrease in 2005, especially in several large markets, such as Germany, The Netherlands, and France.

Opportunities and threats for 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.
***Threats*:**
• Tea consumption is decreasing in the majority of EU member countries. • 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 limited role for smaller companies concentrating on niches. This makes approaching the market more difficult for smaller exporters.

Opportunities and threats for 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. • 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). In fact, consumption of organic cocoa and its end-products is increasing more than conventional demand and this higher 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. • Thanks to its enormous production capacity and trade function, in particular The Netherlands offers opportunities to enter 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.

4.4 Useful sources

- Handbook by FiBL, SIPPO and Naturland “Organic coffee, cocoa and tea”; downloadable at http://www.fibl.ch/buehne/publikationen/pdfs/verzeichnisse/handbook-coffee.pdf for € 38.
  http://www.fairtrade.net/tea.html
  http://www.fairtrade.net/cocoa.html

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
- Fairtrade Labelling Organizations International coffee information at http://www.fairtrade.net/coffee.html

Tea
- International Tea Committee's Annual Bulletin of Statistics 2006, which can be purchased at http://www.inttea.com/publications.asp
- Fairtrade Labelling Organizations International tea information at http://www.fairtrade.net/tea.html

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
- Fairtrade Labelling Organizations International cocoa information at http://www.fairtrade.net/cocoa.html

5 PRODUCTION

5.1 Size of production

Coffee

Except for some small-scale local production in the Mediterranean area, no production of coffee takes place in the EU. Almost all coffee consumed in the EU is roasted within the EU, or in Switzerland. However, these roasters are not competitors of 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 8, and separately in the surveys covering individual EU countries.

Tea

Due to climatic conditions, tea production does not take place in the EU. 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 of 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 combined with the trade structure of tea in Chapter 8, 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 of 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 (notably Table. 4.4) offers 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 more than one third. The Netherlands is also the world's biggest producer of cocoa powder, with a share of about 25% (European Cocoa Association 2007). Major outlets are the United States, Germany, France, Italy and Belgium. France, Germany and the UK are the other major EU countries where grinding takes place. Major grinders in the EU are discussed in combination with the trade structure of cocoa in Chapter 8, and separately in the surveys covering individual EU countries.

5.2 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 2006, which can be purchased at http://www.inttea.com/publications.asp
- Cocoa: International Cocoa Organization at http://www.icco.org

6 IMPORTS

6.1 Coffee

Total imports

Between 2001 and 2005, imports of coffee increased by 4.4% annually in value, and by 1.0% in volume, amounting to € 5.2 billion / 3.1 million tonnes in 2005. Imports in volume showed a relatively steady development. However, taking the review period as a whole, all major EU importers showed increase in imports in terms of value. Particularly Germany, Belgium, Spain, the UK and Sweden showed substantial increases in imports. Import growth in volume was a lot lower. However, only France showed an annual decrease between 2001 and 2005 (-5.5%). Imports by new EU countries remain relatively low.

Imports are mostly sourced directly in developing countries. Direct imports account for 68% of total imports in value and 80% in volume. However, the role of several European countries in the trade of coffee is increasing. In 2001, developing countries still accounted for 76% of total imports. Particularly Germany and Belgium are important re-exporters.

Table 6.1 Imports by the EU25 of coffee 2001/2005, € million, 1,000 tonnes, average annual change in %

	2001		2003		2005		Average
	value	volume	value	volume	value	volume	% change in value
Total EU	**4,417**	**2,942**	**3,782**	**3,033**	**5,241**	**3,068**	**4%**
Intra-EU	**1,012**	**370**	**1,090**	**452**	**1,555**	**591**	**11%**
Extra-EU	**3,405**	**2,573**	**2,692**	**2,580**	**3,686**	**2,476**	**2%**
Dev. countries	**3,336**	**2,551**	**2,599**	**2,555**	**3,585**	**2,461**	**2%**
Germany	1,224	857	1,007	903	1,528	946	6%
France	553	365	499	353	611	292	3%
Italy	546	382	420	404	589	423	2%
Belgium	317	190	272	209	387	219	5%
Spain	270	236	245	239	330	252	5%
Netherlands	285	148	270	162	313	157	2%
United Kingdom	232	134	218	137	289	144	6%
Sweden	153	89	137	95	223	113	10%
Austria	139	77	116	81	150	78	2%
Poland	117	127	115	119	149	118	6%
Finland	109	64	80	64	126	67	4%
Denmark	96	62	67	55	103	49	2%
Portugal	84	48	62	48	73	46	-3%
Greece	48	31	47	31	68	33	9%
Luxembourg	41	6	44	7	61	11	10%
Czech Republic	38	34	34	32	56	35	10%
Hungary	42	41	34	38	43	29	1%
Lithuania	26	8	27	10	34	10	7%
Estonia	16	5	18	6	25	8	11%
Ireland	17	4	20	7	22	6	6%
Latvia	18	5	17	7	20	6	3%
Slovakia	21	14	17	13	20	12	-2%
Slovenia	19	11	12	10	18	11	-1%
Cyprus	3	2	3	2	4	2	4%
Malta	1	0	1	0	1	0	-1%

Source: Eurostat (2006)

Global coffee prices have a large influence on the imports into the European Union with regards to value. This can also be discerned in Table 6.1. However, this relationship is not completely straightforward. For example, world market prices were higher in 2003 and even more so in 2005 than they were in 2001. However, import prices in the EU (import value/import volume) were € 1.501 per tonne in 2001, and declined to € 1.247 per tonne in 2003, before increasing to € 1.708 in 2005. This could be due to the variety in composition of imports into the EU (Robusta, Arabica, milds) or the level of processing (roasted, unroasted, decaffeinated). For more information on coffee prices, please refer to Chapter 9 of this survey.

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, Belgium/Luxembourg, The Netherlands, France and Sweden. These countries are also important processors and re-exporters.

Table 6.2 Imports of organic coffee into selected EU member countries, 2005, in tonnes

Country	Imports	Country	Imports
Belgium/Luxembourg	1,402	Italy	262
Denmark	192	The Netherlands	742
Finland	127	Spain	327
France	690	Sweden	689
Germany	4,215	United Kingdom	647
Greece	96		

Source: International Coffee Organization (2006)

Product groups

Unroasted coffee
Between 2001 and 2005, imports of unroasted coffee increased by 2.8% in value annually, and by 0.9% in volume, amounting to € 3.9 billion / 2.7 million tonnes in the latter year. Particularly imports into Germany (+5% annually) and Belgium (+6%) have shown significant annual increases. The principal EU importers are Germany (34.7%), Italy (13.9%), France (7.9%), Belgium (7.8%) and Spain (7.3%).

Unroasted 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 unroasted coffee. Imports of unroasted coffee into these countries have increased, as have their exports. The market share of developing countries in total imports has decreased slightly. Among major suppliers in developing countries, it is especially Ethiopia which is quickly increasing its exports, with an annual increase of 23% between 2001 and 2005. Except for Colombia, which did not increase its exports to the EU, all other developing country suppliers showed increases between 6 and 8%.

Decaffeinated unroasted coffee accounts for only 1.4% of total unroasted coffee imports. In 2005, imports amounted to € 75 million / 38 thousand tonnes, signifying a decrease of 4% in value and 5% in volume annually between 2001 and 2005. Decaffeinated coffee is almost exclusively supplied by Germany.

Roasted coffee
Imports of roasted coffee amounted to € 1.3 billion / 366 thousand tonnes in 2005. This signifies an increase of 14% in value and 15% in volume annually between 2001 and 2005. The principal importers are France (23% of total value imports), Germany (13%) and the United Kingdom (10%). As expected, the import unit value of roasted coffee (1 ton costs € 3,525) is far more than the unit value of unroasted coffee (1 ton costs € 1,459).

As roasting of coffee predominately takes place in EU countries, their share of EU imports of roasted coffee is very high. Moreover, EU countries, and also Switzerland, are further increasing their share of supplies. Brazil is the only developing country with (a very limited) foothold in the EU market for roasted coffee. During the review period, imports from this country increased by 20% annually in value.

Table 6.3 EU imports and leading suppliers of coffee to the EU, 2001-2005, share in % of value

Product	2001 € mln	2005 € mln		Leading suppliers in 2004 (share in %)	Share in EU imports (%)
Coffee	4,416	5,241	Intra-EU:	Germany (11.0), Italy (5.0), Belgium (4.8), The Netherlands (1.9), Austria (1.4), France (1.2)	29.7
			Extra EU excl DC*:	Switzerland (1.7)	1.7
			DC*:	Brazil (22.9), Colombia (8.0), Vietnam (6.3), Peru (3.3), Honduras (3.3), Ethiopia (3.0), Indonesia (2.9), Guatemala (2.1), India (2.1), Uganda (1.9), Switzerland (1.7), Kenya (1.5), El Salvador (1.5), Costa Rica (1.2), Papua New Guinea (1.1), Nicaragua (1.1)	68.4
Unroasted coffee	3,525	3,940	Intra-EU:	Germany (5.1), Belgium (1.8)	9.1
			Extra EU excl DC*:	-	0.2
			DC*:	Brazil (30.4), Colombia (10.6), Vietnam (8.4), Peru (4.4), Honduras (4.4), Ethiopia (3.9), Indonesia (3.8), Guatemala (2.9), India (2.7), Uganda (2.5), Kenya (2.0), El Salvador (1.9), Costa Rica (1.6), Papua New Guinea (1.5), Nicaragua (1.4), Burundi (1.2), Mexico (1.1), Tanzania (1.0)	90.7
Roasted coffee	766	1,287	Intra-EU:	Germany (28.5), Italy (19.1), Belgium (14.0), The Netherlands (6.3), Austria (5.6), Sweden (3.5), France (2.6), Poland (1.8), Finland (1.6), Spain (1.5), Denmark (1.5), Portugal (1.2), United Kingdom (1.1), Czech Rep. (1.1)	91.9
			Extra EU excl DC*:	Switzerland (6.8)	7.2
			DC*:	Brazil (0.4)	0.9

Source: Eurostat (2006)
*Developing Countries
Please note that as Poland only supplies data on HS 4 digit level in 2001 and 2003, the total of the products does not match the product group.

6.2 Tea

Total imports

Imports of tea into the EU decreased each year between 2001 and 2005. However, while imports decreased by 4.6% in value annually, imported volumes only diminished by 0.4% annually, reaching € 706 million / 323 thousand tonnes in 2005. This shows an overall decrease in import prices, but as explained in the CBI surveys covering the market for the individual EU member countries, this trend is not universal across the EU.

A significant part of the decrease in value is due to diminishing imports by the United Kingdom, traditionally the biggest market for tea and a country with an important function in the trade of tea. Germany, the second EU market, also showed a substantial decrease in imports in value of 4% annually. Of the five major markets, only France showed an increase, while imports in value by The Netherlands remained stable in value during the review period.

Only very few other EU countries increased their imports in value of tea. However, when volumes are considered, a different image appears. Several (South) European countries with a relatively small consumption (such as Slovenia, Portugal, Cyprus, Greece and, to a lesser extent, Italy) were importing much greater quantities in 2005 than in 2001. Spain does not correspond to this regional trend.

Table 6.4 Imports by the EU25 of tea 2001/2005, € million, 1,000 tonnes, average annual change in %

	2001		2003		2005		Average % change in value
	value	volume	value	volume	value	Volume	
Total EU	**851**	**328**	**737**	**332**	**706**	**323**	**-5%**
Intra-EU	**240**	**47**	**250**	**58**	**256**	**53**	**2%**
Extra-EU	**611**	**281**	**488**	**273**	**450**	**270**	**-7%**
Dev. countries	**580**	**276**	**446**	**265**	**428**	**266**	**-7%**
United Kingdom	323	164	240	157	220	153	-9%
Germany	113	39	109	45	97	42	-4%
France	83	17	88	18	88	17	1%
Netherlands	60	27	52	27	59	33	0%
Poland	60	33	43	31	49	31	-5%
Italy	35	5	37	7	36	7	1%
Sweden	26	4	23	4	25	3	0%
Belgium	34	9	34	10	23	7	-9%
Ireland	27	11	31	14	21	10	-6%
Finland	13	1	10	1	11	2	-3%
Spain	12	4	11	5	11	3	-1%
Denmark	15	2	11	2	11	2	-8%
Czech Republic	9	2	7	2	10	2	1%
Austria	9	2	8	2	10	3	2%
Hungary	6	2	6	2	6	2	4%
Lithuania	7	1	6	1	6	1	-5%
Latvia	5	1	4	1	4	1	-3%
Greece	3	1	5	1	4	1	10%
Portugal	2	0	3	0	3	1	12%
Estonia	3	0	3	0	3	1	0%
Slovakia	2	1	2	1	2	1	2%
Malta	3	1	2	1	2	0	-10%
Luxembourg	1	0	2	0	2	0	7%
Cyprus	1	0	1	0	2	0	8%
Slovenia	0	0	1	0	1	0	29%

Source: Eurostat (2006)

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, 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.

Product groups
Black tea
Between 2001 and 2005, imports of black tea decreased by 4% in value annually, but increased by 2% annually in volume, signifying an overall decrease in import unit value of black tea. In 2005, imports amounted to € 595 million / 291 thousand tonnes. The five principal importers of black tea are the UK (36%), Germany (12%), France (9.3%), The

Netherlands (8.7%) and Poland (7.6%). Except for The Netherlands and Poland, imports into these countries decreased considerably in volume and value in the period reviewed. Imports by the UK deceased the most (-9% annually).

Just as for total tea EU imports, imports of black tea only increased in volume and value in a number of South European countries where there is a relatively small consumption. Particularly imports by Slovenia (+20% annually), the smallest EU consumer of black tea, Portugal (+7% annually) and Cyprus (+5%) increased between 2001 and 2005.

As shown in table 6.5, developing countries account for a considerable, though decreasing, share in EU imports of black tea. Developing countries' imports share decreased by 6% annually, amounting to € 377 million, corresponding to a 63% import share. The leading developing country suppliers, Kenya and India, saw their exports decrease in the period revised, by 7% and 6% annually respectively. Only Tanzania (+36% annually) and Vietnam (+11% annually) experienced substantial increases in their exports of black tea to the EU.

Table 6.5 EU imports and leading suppliers of tea to the EU, 2000 - 2004, share in % of value

Product	**2001** € mln	**2005** € mln		**Leading suppliers in 2004 (share in %)**	**Share in EU imports (%)**
Tea	851.1	705.9	Intra-EU:	United Kingdom (11), Germany (9.1), Belgium (4.8), France (2.7), The Netherlands (2.4), Poland (2.4)	36.3
			Extra EU excl DC*:	USA (0.7), UAE (0.7), Japan (0.6)	3.0
			DC*:	Kenya (16.8), India (11.6), China (8.8), Sri Lanka (8.2), Indonesia (4.9), Malawi (2.3), Tanzania (1.6), Vietnam (1.5), Argentina (1.3)	60.7
Black Tea	700.7	595.0	Intra-EU:	United Kingdom (11.1), Germany (7.8), Belgium (5.0), Poland (2.5), France (2.3), The Netherlands (2.2)	34.4
			Extra EU excl DC*:	USA (0.6), UAE (0.6), Switzerland (0.5)	2.4
			DC*:	Kenya (19.9), India (13.2), Sri Lanka (9.2), Indonesia (5.2), China (4.2), Malawi (2.7), Tanzania (1.9), Vietnam (1.5), Argentina (1.5), Zimbabwe (1.2)	63.4
Green Tea	90.8	110.9	Intra-EU:	Germany (16.4), United Kingdom (10.3), France (5.0), Belgium (4.0), The Netherlands (3.4)	46.0
			Extra EU excl DC*:	Japan (3.9), UAE (1.5), USA (1.5)	8.0
			DC*:	China (33.5),Indonesia (3.1), India (3.0), Sri Lanka (2.9), Vietnam (1.4), Morocco (0.6)	46.0

Source: Eurostat (2006)
*Developing Countries
Please note that as Poland only supplies data on HS 4 digit level in 2001 and 2003, the total of the products does not match the product group.

Green tea
While imports of black tea decreased continually between 2001 and 2005, imports of green tea increased annually by 5% in value and by 8% in volume, amounting to € 111 million / 32 thousand tonnes in 2005. It appears that 1 ton green tea is much cheaper than 1 ton black tea, which is plausible as the production of black tea requires more processing.

The five principal EU importers of green tea are France (29%), Germany (22%), Belgium (6.9%), The Netherlands (6.0%) and the UK (5.7%). Again these are the same leading EU importers as for black tea, only the order of importance differs completely. The UK only accounts for a small share of EU imports of green tea as the British are traditionally black tea (with milk) drinkers. Imports by France and Germany increased considerably by 8% and 9% annually respectively. On the other hand, imports by Belgium and The Netherlands decreased strongly by 8% and 13% annually respectively.

Developing countries' import share increased annually by 4%, amounting to € 51 million corresponding to a 46% import share. All developing country suppliers experienced positive growth in their export to the EU, particularly Vietnam (+20% annually) and Sri Lanka (+15% annually).

6.3 Cocoa

Total imports
Table 6.6 and 6.7 show the imports of cocoa beans and two processed cocoa products, cocoa paste and powder, in which developing countries play a significant role. For information on cocoa butter, please refer to the CBI Product Survey 'Vegetable Oils and Fats' (2006).

As can be seen, imports increased significantly for all three cocoa products. Please note that the average annual increases shown concern value imports. Imports, expressed in volume, have increased at a far slower pace, indicating an overall increase in import prices of cocoa products in the EU between 2001 and 2005. Imports increased by 2.9% annually in volume for cocoa beans, by 4.3% for cocoa paste, and by 5.7% for cocoa powder between 2001 and 2005. This is an interesting development showing, in terms of value as well as volume, a larger increase in the imports of processed cocoa products than for unprocessed cocoa beans.

Although it concerns products of different stages of processing, it is useful to add the three products together to reach 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. Except for France, imports into these countries grow faster than the overall imports into the EU. Therefore, the leading importing countries are further increasing in importance. The United Kingdom and Italy also play a role for some product groups, but the UK is decreasing in importance as an importer. Spain is also gaining in importance as an importer of cocoa beans and the selected cocoa products. No regional development trends can be discerned.

Table 6.6 Imports by the EU25 of selected product groups falling under cocoa products in 2005, € million, 1,000 tonnes, average annual change 2001-2005 in %

	Cocoa beans			Cocoa paste			Cocoa powder		
	2005 *€ mln*	**2005** *1,000 tonnes*	Av. annual value change %	**2005** *€ mln*	**2005** *1,000 tonnes*	Av. annual value change %	**2005** *€ mln*	**2005** *1,000 tonnes*	Av. annual value change %
Total EU25	**2,112.6**	**1,592.1**	**6.4%**	**551.7**	**333.5**	**7.2%**	**331.6**	**203.5**	**10.5%**
Intra-EU	270.6	204.3	12.8%	275.5	141.6	49.9%	299.1	171.0	90.2%
Extra-EU	1,842.0	1,387.8	0.0%	276.2	191.8	0.1%	32.5	32.5	0.7%
Dev. Countries	1,841.3	1,387.4	87.1%	275.4	191.6	57.4%	30.3	31.8	15.6%
Austria	13.6	9.9	-18.1%	3.0	1.6	-6.0%	4.5	2.9	6.1%
Belgium	255.5	187.7	22.0%	59.8	29.0	4.8%	22.2	15.3	4.8%
Cyprus	0.0	0.0	n.a.	0.1	0.0	2.5%	0.4	0.2	1.1%
Czech Republic	0.0	0.0	-93.6%	6.2	3.6	264.1%	5.3	4.4	17.6%
Denmark	22.3	16.7	28.8%	2.3	1.2	84.7%	7.3	3.2	8.5%
Estonia	1.3	0.9	-3.6%	0.0	0.0	n.a.	0.3	0.2	11.0%
Finland	0.0	0.0	61.2%	7.1	3.6	2.7%	2.1	0.9	9.1%
France	198.2	147.0	-0.1%	151.7	91.0	7.9%	59.0	34.0	23.5%
Germany	358.2	258.9	10.5%	82.1	43.7	23.6%	52.7	31.6	2.3%

	Cocoa beans			Cocoa paste			Cocoa powder		
	2005 *€ mln*	**2005** *1,000 tonnes*	Av. annual value change %	**2005** *€ mln*	**2005** *1,000 tonnes*	Av. annual value change %	**2005** *€ mln*	**2005** *1,000 tonnes*	Av. annual value change %
Greece	7.6	5.3	7.4%	3.7	1.9	6.5%	6.5	4.1	-5.0%
Hungary	0.0	0.0	n.a.	0.0	0.0	n.a.	7.8	6.0	-3.9%
Ireland	30.1	23.0	29.1%	5.4	2.4	-25.0%	0.6	0.5	-5.2%
Italy	103.0	67.8	4.1%	22.6	11.6	12.6%	37.6	22.7	8.0%
Latvia	2.1	1.5	5.4%	0.0	0.0	n.a.	0.5	0.5	5.5%
Lithuania	1.9	1.4	-14.6%	1.2	0.6	82.2%	1.2	1.4	-2.6%
Luxembourg	0.0	0.0	151.5%	0.0	0.0	31.6%	0.5	0.1	36.1%
Malta	0.0	0.0	n.a.	0.0	0.0	n.a.	0.1	0.0	-7.0%
Netherlands	817.5	638.1	6.6%	86.2	55.4	4.7%	58.6	34.1	22.7%
Poland	27.3	21.2	-6.1%	51.9	30.5	9.5%	15.6	12.2	7.3%
Portugal	0.2	0.1	22.5%	1.2	0.7	6.3%	3.2	2.3	3.3%
Slovakia	13.7	9.6	n.a.	0.2	0.1	-22.4%	2.3	1.5	0.4%
Slovenia	0.0	0.0	29.3%	0.7	0.4	8.0%	1.3	0.8	11.8%
Spain	97.8	73.4	15.1%	40.2	43.2	-0.1%	8.7	6.0	7.7%
Sweden	0.0	0.0	-24.0%	6.0	2.8	-2.5%	8.2	4.9	1.6%
United Kingdom	162.3	129.6	-5.1%	19.9	10.0	1.3%	25.2	13.8	22.5%

Source: Eurostat 2006

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. Imports of organic cocoa into Europe were estimated to measure 14,000 tons of cocoa bean equivalents in 2003, of which an estimated 2,000 tons was re-exported to the USA. European importers deal with most of the organic cocoa bean processing and trading (Ecomercados 2005[3]). 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.

Product groups

Cocoa beans
Between 2001 and 2005, imports of cocoa beans increased by 6.1% annually, amounting to € 2.1 billion. At the same time, imports in terms of volume increased by 2.9% annually. This means an overall increase in prices of cocoa beans in the period mentioned. However, import prices fluctuated much more between 2001 and 2005 than indicated here. Between 2001 and 2003 value imports increased by 26% annually, while imported volumes actually decreased slightly. Between 2003 and 2005, value imports actually decreased by 10% annually, while volume imports increased by 8% in the same period. However, as will be explained in chapter 9, prices remained more stable between 2004 and 2005.

The most important EU importers of cocoa beans are The Netherlands, accounting for almost 40% of total EU imports, followed by Germany (17%), Belgium (12%), France (9.4%) and the United Kingdom (7.7%).

The lion's share of cocoa beans is imported from Côte d'Ivoire and Ghana. Other countries, such as Nigeria and Cameroon, also play an important role. Considering the fact that cocoa production does not takes place in Europe, the import share of EU countries such as Belgium, the UK and particularly The Netherlands consists entirely of re-exports of beans originating in developing countries.

The Sustainable Cocoa Trade; An Analysis of US Market and Latin American Trade Prospects. EcoMercados Project, El Centro de Inteligencia sobre Mercados Sostenibles (CIMS), Centro Latinoamericano para la Competitividad y el Desarrollo Sostenible (CLACDS). Available at: http://www.thementers.com/files/knowledgebase/Cocoa.pdf.

Cocoa paste

The same development as for cocoa beans can be found for cocoa paste. Between 2001 and 2005, imports in terms of value (+7% annually) increased faster than imports in terms of volume (+4% annually). However, this again hides a more dramatic development taking place within this period. Between 2001 and 2003, imports in terms of value jumped by 32% annually, while imports in terms of volume increased by only 3%. Comparable to beans, paste imports in terms of volume decreased by 13% annually between 2003 and 2005, while imports in volume increased (+6%). Imports amounted to € 552 million / 333 thousand tonnes in 2005. The most important importer of cocoa paste is France (28%), followed by The Netherlands (16%), Germany (14.9%), Belgium (10.8%) and Poland (9.4%).

EU countries play a far larger role in the supply of cocoa paste then 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. The country is the second largest supplier of cocoa paste to the EU, behind Côte d'Ivoire. However, The Netherlands is also, jointly with France the principal importer of cocoa paste from developing countries, accounting for almost a third of developing country imports. It is likely that part of the exports of these countries also consists of re-exports of paste produced in developing countries.

Cocoa powder

The development observed for cocoa beans and cocoa paste was even more pronounced for cocoa powder. Growth in import value (+11%) outpaced growth of import volume (+1%). However, the development within this period is remarkable. Between 2001 and 2003, imports in terms of value jumped by 51% annually, while imports in terms of volume remained stable. Between 2003 and 2005, imports in terms of volume decreased by 19% annually, while imports in volume increased (+2%). In 2005 imports of cocoa powder amounted to € 331 million / 203 thousand tonnes. The leading EU importers are France (18%), The Netherlands (18%), Germany (16%), Italy (11%) and the United Kingdom (7.6%).

The proportion of cocoa powder originating in other EU countries is even higher than for cocoa paste, amounting to 90% of total EU imports. Production of powder mostly takes place within the EU. The Netherlands alone supplies almost half of total EU imports. Large EU countries such as France, Spain, Germany and the United Kingdom, play a much smaller role. Moreover, imports from developing countries are increasing more slowly than overall imports.

Table 6.7 Imports of cocoa products by the EU25, 2001-2005, € million; shares in % of total value

Product	2001 € mln	2005 € mln		Leading suppliers in 2004 (share in %)	Share in EU imports (%)
Cocoa beans	1,650	2,112	Intra-EU:	The Netherlands (7.8), Belgium (2.8), United Kingdom (1.0),	12.8
			Extra-EU excl DC*:	-	0.0
			DC*:	Côte d'Ivoire (31.0), Ghana (22.7), Nigeria (13.7), Cameroon (8.1), Togo (3.5), Ecuador (2.2), Guinea (0.9), Indonesia (0.9), Papua New Guinea (0.9), Dominican Republic (0.7)	87.1
Cocoa paste	418	552	Intra-EU:	The Netherlands (27.2), France (9.3), Germany (5.8), Belgium (3.0), United Kingdom (1.5)	50.0
			Extra-EU excl DC*:	-	0.1
			DC*:	Côte d'Ivoire (35.6), Ghana (5.5), Cameroon (3.2), Indonesia (2.4), Nigeria (0.9), Malaysia (0.9)	57.4
Cocoa			Intra-EU:	The Netherlands (47.0), France (11.5),	90.2

Product	2001 € mln	2005 € mln		Leading suppliers in 2004 (share in %)	Share in EU imports (%)
powder	222	332	Extra -EU excl DC*: DC*:	United Kingdom (11.1), Germany (9.8), Spain (4.1) Japan (0.5) Côte d'Ivoire (5.6), Brazil (1.4), Malaysia (0.9), Indonesia (0.7)	0.7 9.1

Source: Eurostat (2006)
* Developing countries

6.4 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, the principal supplier, Brazil, is further increasing its market share in the EU, while Colombia has decreased in importance. Ethiopia is also rapidly increasing in importance. Besides imports, re-exports of unroasted coffee also plays an increasingly important role in EU trade of coffee. Therefore, the main EU importing countries are not necessarily the main coffee consuming nations or the largest economies, but the countries that take the largest share in the re-export of coffee. Germany now accounts for a third of total EU imports and in turn supplies 11% of EU imports. Please refer to table 6.3 for an overview of suppliers to the EU.

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

Table 6.8 Coffee and processed coffee products supplied to the EU by developing countries, 2001 – 2005, € million, 1,000 tonnes

	2001		2003		2005	
	value	volume	value	volume	value	volume
Coffee	3,336	2,551	2,599	2,555	3,585	2,461
Unroasted coffee	3,232	2,431	2,508	2,449	3,573	2,458
Roasted coffee	14	4	15	5	12	3

Source: Eurostat (2006)
Please note that as Poland only supplies data on HS 4 digit level in 2001 and 2003, the total of the products does not match the product group.

Tea

Tea is not grown in the EU either which makes the EU completely dependent on developing countries for the supply of tea, besides some minor exports from the USA and Japan. More than 60% of EU tea imports is sourced directly in developing countries, a small share (3%) is derived from Extra-EU sources, implying that the rest consists of re-exports by EU member countries. Between 2001 and 2005, the importance of intra-EU imports increased by 2% annually. Most of this can be attributed to Germany's increasing presence, now accounting for 9% of EU imports of tea.

Developing countries lost ground in the EU imports of tea, in particular black tea. Imports from developing countries decreased by 7% annually, amounting to € 428 million. The leading developing country suppliers are Kenya and India. Both lost considerable market share in EU imports during the period revised. Their supply decreased by 8% and 9% annually respectively. Whilst developing countries' presence in the supply of black tea decreased between 2001 and 2005, developing countries gained market share in the supply of green tea. Nevertheless, EU imports of green tea only constitute a minor share of total EU tea imports.

Table 6.9 Tea and selected tea products supplied to the EU by developing countries, 2001 - 2005, € million, 1,000 tonnes

	2001		2003		2005	
	value	volume	value	volume	value	volume
Tea	580	276	446	265	428	266
Black tea	480	228	358	216	377	244
Green tea	43	15	47	19	51	22

Source: Eurostat (2006)
Please note that as Poland only supplies data on HS 4 digit level in 2001 and 2003, the total of the products does not match the product group.

Cocoa

The role of developing countries in the supply of cocoa paste has increased somewhat the last decade. In 2001, 44% of cocoa paste was sourced in developing countries, while this share increased to 50% in 2005. On the other hand, the role of developing countries in the supply of the European cocoa powder market has been decreasing. In 2001, 12% of imports was supplied by developing countries, and in 2003 this figure had risen to 18%. However, in 2005 this share had decreased to 9%.

Some changes occurred in the dominance of certain developing country suppliers. Côte d'Ivoire decreased in importance, while other African countries such as Ghana, Nigeria and Cameroon gained market share. However, Côte d'Ivoire remains the principal supplier for cocoa beans and cocoa paste. Also trade through The Netherlands is increasing, when looking at the growing exports of cocoa beans by that country. Interesting to note is also that imports from Sierra Leone are picking up fast again. Imports of cocoa paste from Côte d'Ivoire are increasing faster than overall imports, while Cameroon has seen its exports decrease significantly. Among developing countries, only Brazil and Malaysia are increasing their share of the EU, although supply from these countries remains limited. Other developing countries are losing ground. Please refer to table 6.7 for the most important supplying developing countries in 2005.

Table 6.10 Cocoa beans and selected processed cocoa products supplied to the EU by developing countries, 2001 - 2005

	2001		2003		2005	
	value	volume	value	volume	value	volume
Cocoa beans	1,452,438	1,237,062	2,347,722	1,255,558	1,841,296	1,387,376
Cocoa paste	211,902	168,952	352,167	153,167	275,443	191,560
Cocoa powder	26,704	19,924	89,515	37,622	30,288	31,759

Source: Eurostat (2004)
*Developing Countries

6.5 Useful sources

- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int/
  Go to: trade statistics.
- Eurostat – official statistical office of the EU - http://epp.eurostat.cec.eu.int Go to: 'themes' on the left side of the home page - 'external trade' - 'data – full view' - 'external trade - detailed data'.
- International Coffee Report: http://www.agra-net.com
- World Tea Markets: http://www.agra-net.com
- Chocolate & Confectionery International: http://www.agra-net.com

7 EXPORTS

Coffee

Thanks to increasing intra-EU trade of coffee, which partly consists of re-exported unroasted coffee and partly of locally roasted coffee, exports by EU countries showed significant increases between 2001 and 2005. Between 2001 and 2005, exports of coffee increased by 9.7% in value and by 8.2% in volume.

Exports of unroasted coffee increased by 9% in value and by 6% in volume annually, amounting to € 718 million / 418 thousand tonnes. The most important exporters are Germany (62.4 % of EU exports) and Belgium (20%). Of EU exports of unroasted coffee, 68% is destined for other EU countries and 30% for other developed countries, mainly the USA. As the EU does not have domestic production of coffee, this exclusively concerns re-exports.

Exports of roasted coffee mainly concern exports of coffee processed in the EU. Exports of roasted coffee is increasing faster than exports of unroasted coffee, achieving an increase in terms of value of 11% annually between 2001 and 2005, and a volume increase of 12% annually. In 2005, exports amounted to € 1.562 billion / 416 thousand tonnes. The principal exporters are Italy (28%), Germany (24%), and Belgium (13%). Almost 80% of roasted coffee exports, is destined for other EU countries. The USA is also an important destination.

Table 7.1 Exports of coffee, tea and cocoa by the EU and principal exporters, 2001-2005, € million / 1,000 tonnes

	2001		2003		2005		Av. annual value change %
	value	volume	value	volume	value	volume	
COFFEE							
Total-EU	**1,576**	**610**	**1,619**	**665**	**2,286**	**835**	**9.7%**
Germany	491	228	530	295	821	385	13.7%
Italy	325	66	358	71	451	85	8.5%
Belgium	240	118	207	108	345	144	9.5%
Austria	62	22	72	30	97	41	11.8%
France	95	42	87	36	96	31	0.5%
Netherlands	37	12	73	20	92	26	25.8%
Sweden	33	9	37	12	81	25	25.2%
Spain	47	24	43	25	73	32	11.5%
TEA							
Total-EU	**449**	**75**	**487**	**90**	**459**	**85**	**0.6%**
United Kingdom	190	27	212	37	189	25	0.0%
Germany	88	19	105	20	111	22	6.0%
Belgium	54	7	50	8	35	5	-10.2%
Netherlands	26	11	29	12	32	16	5.2%
France	39	4	37	4	31	4	-5.6%
Poland	12	3	15	4	24	6	19.5%
COCOA BEANS							
Total-EU	**203**	**169**	**357**	**193**	**410**	**313**	**19%**
Netherlands	127	109	185	102	198	155	12%
Belgium	51	41	138	69	188	142	38%
Germany	4	4	7	4	16	10	38%
France	17	12	11	5	6	4	-21%
COCOA PASTE							
Total-EU	**249**	**145**	**394**	**153**	**318**	**170**	**6%**
Netherlands	108	63	189	75	191	101	15%
France	47	27	116	42	42	21	-3%
Germany	25	14	27	10	33	19	7%
United Kingdom	25	17	24	9	19	12	-7%
Poland	5	3	6	2	14	8	28%
COC. POWDER							
Total-EU	**413**	**296**	**813**	**306**	**519**	**344**	**6%**

	2001		2003		2005		Av. annual value
	value	volume	value	volume	value	volume	change %
Netherlands	268	185	472	174	334	209	6%
France	42	30	106	39	70	44	13%
Germany	30	24	50	21	45	39	11%
Spain	33	27	77	31	35	27	1%
Italy	6	6	16	8	13	9	21%

Tea

Of the product groups discussed in this survey, EU exports of tea increased the least between 2001 and 2005. Nevertheless, total EU tea exports increased annually by 0.6% in value, whilst total EU imports decreased annually by 4.6 % in value. As the EU does not grow tea, this signifies that re-exports increased during the period reviewed.

51% of EU exports find its way to other EU countries, 45.9% is exported to extra-EU countries and the remainder is exported again to developing countries. The main EU exporter is the UK, followed at a distance by Germany. The EU exports tea to a wide range of different countries; the most important ones being France (11%), Canada (10%), Japan (5.8%), Italy (5.6%) and the USA (5.5%). Exports to Canada increased by 18% annually the most.

The export unit value of black tea decreased between 2001 and 2005, as total export value decreased annually by 2%, while total export volume increased annually by 3%. In 2005, exports of black tea amounted to € 380 million / 73 thousand tonnes.

The picture for green tea looks somewhat different. Export value increased significantly by 56% annually between 2001 and 2005 and export volume also increased, but at slower pace by 15% annually. In contrast to black tea, the export unit value of green tea is thus increasing. The growth in green tea exports is accounted for by re-exports.

In 2005, exports of green tea amounted to € 79 million / 12 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.

Cocoa

During the survey period, exports for all three cocoa products increased considerably in terms of value. Particularly the exports of cocoa beans, with an average annual growth of almost 20%, increased substantially, which indicates increasing re-exports of this product. In 2005, cocoa bean exports amounted to € 410 million / 313 thousand tonnes. Leading EU re-exporters are The Netherlands and Belgium, together accounting for 94% of total EU exports. As is understandable, exports are almost entirely destined for other EU member countries.

Between 2001 and 2005, exports by EU member countries of cocoa paste increased by 6% in value and by 4% in volume annually, amounting to € 318 million / 170 thousand tonnes in the latter year. The leading EU re-exporter is, by far, The Netherlands, accounting for 60% of total EU exports. More than 75% of the total export value concerns intra-EU trade, while the remaining part is exported to countries outside the EU.

In 2005, total EU exports of cocoa powder amounted to € 519 million / 344 thousand tonnes, representing an average annual increase of 6% in value and 4% in volume since 2001. These developments are similar to those previously discussed for cocoa paste. 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 64% of total EU exports.

8 TRADE STRUCTURE

8.1 Distribution channels

Introduction

The three product groups discussed in this survey are all distributed in a different manner. The trade structures for coffee (Figure 8.1) and tea (Figure 8.2) share characteristics, but also differ in, for example, the role of warehouses and auctions. Particularly the cocoa trade (Figure 8.3), with its three main products of cocoa beans, paste and powder and its industrial focus, has an entirely different trade structure. Furthermore, an increasing portion of cocoa is processed in developing countries, which happens far less in the tea and coffee sector, for which blending and roasting predominately takes place in the EU. Processed cocoa products are then exported to the EU market. This processing can be conducted by local manufacturers but is also often conducted by international processing companies and chocolate manufacturers. Therefore, please note that Figure 8.3 describes the trade channels for cocoa beans as well as processed cocoa products. Where necessary, the respective products or processing stage has been included in italics. The fourth important product within cocoa, cocoa butter, is not discussed in this survey, but in the CBI market survey ‘Vegetable oils and fats in the EU’.

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/fair trade 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.

Figure 8.1 Trade structure for coffee

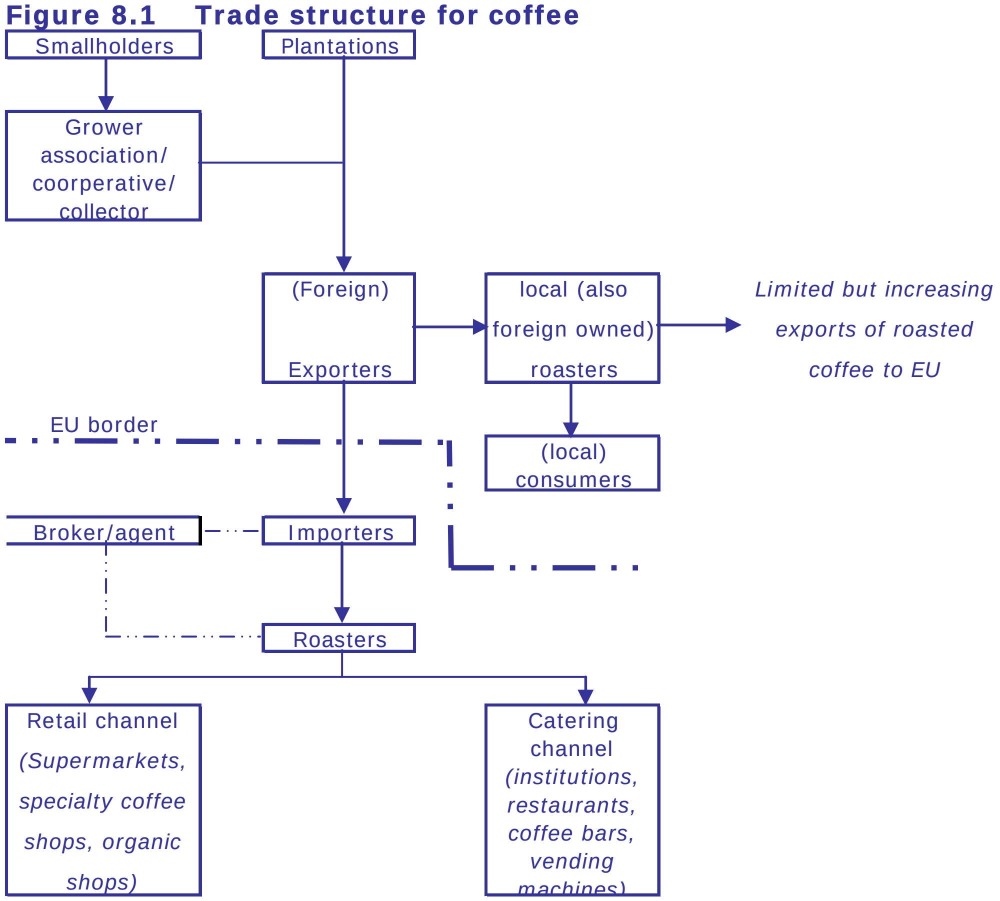


Figure 8.2 Trade structure for tea

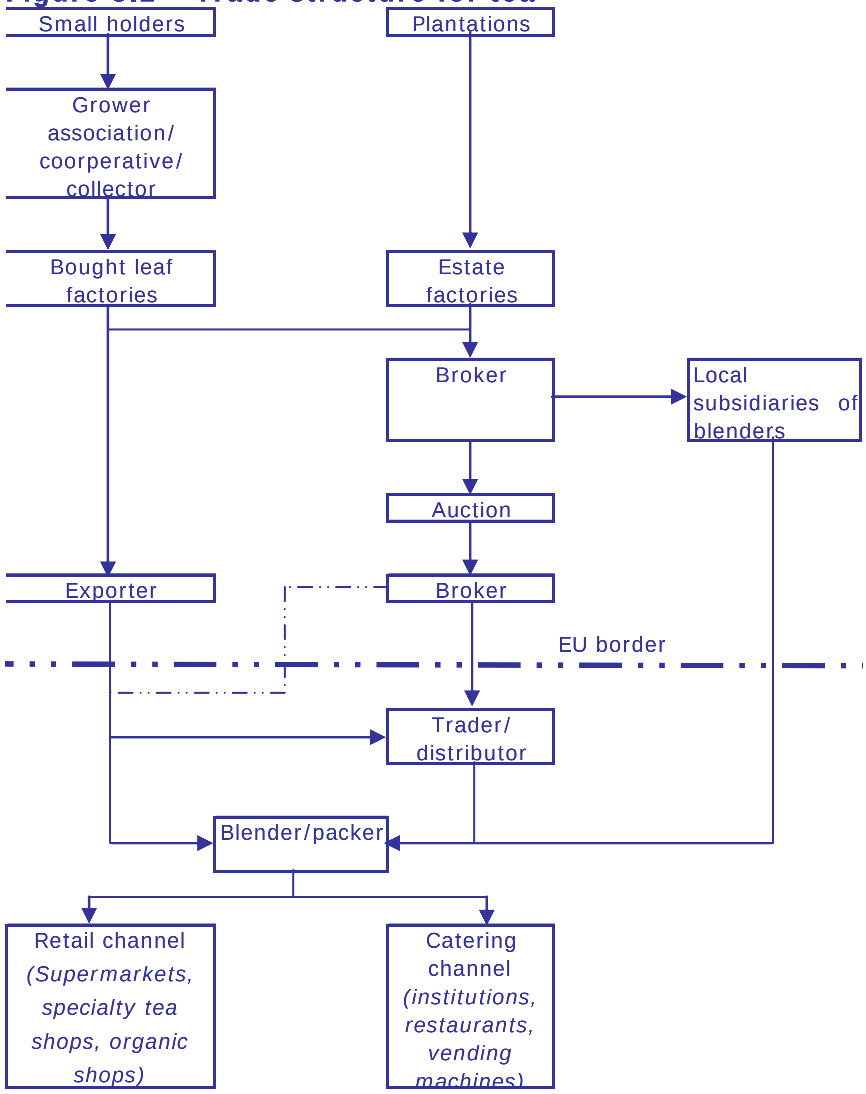
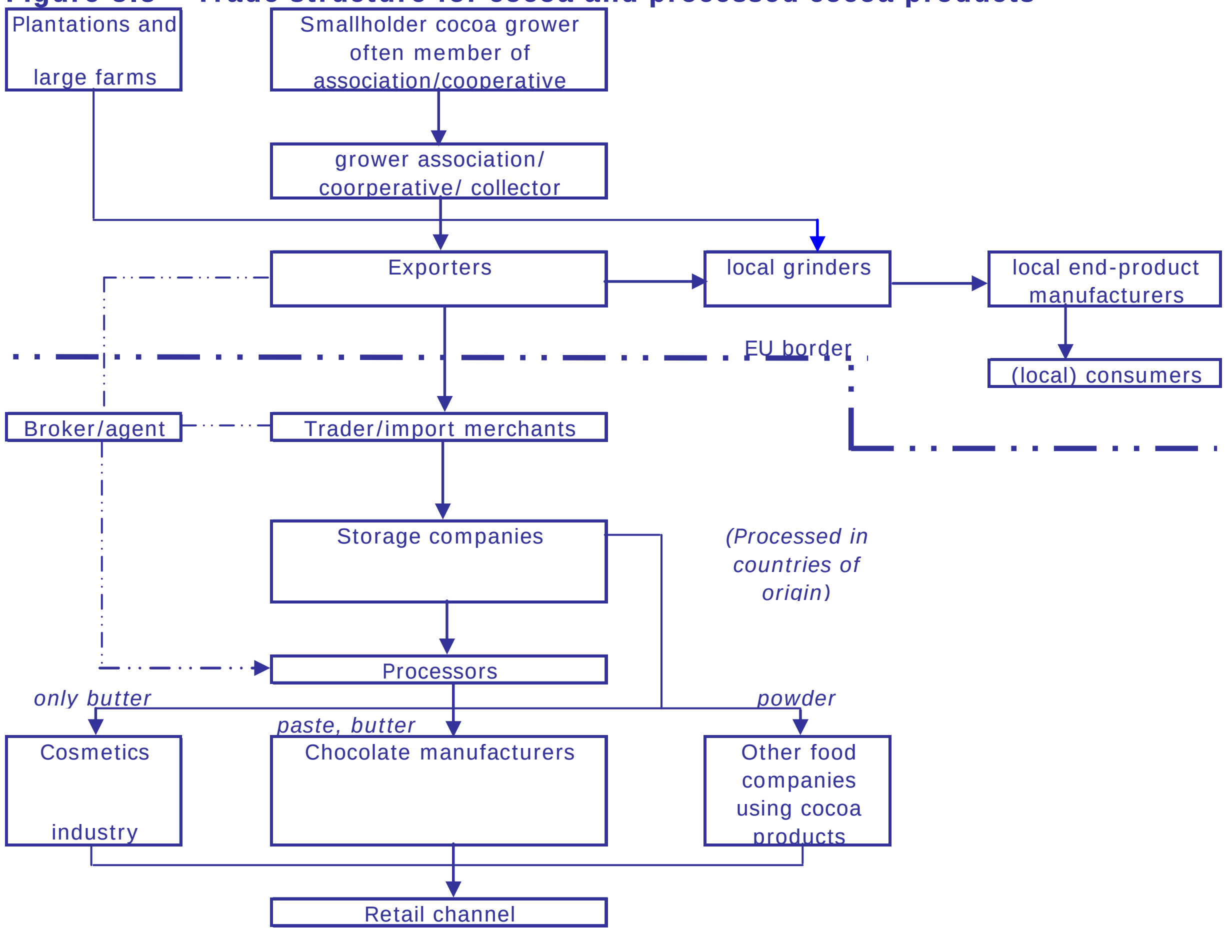


Figure 8.3 Trade structure for cocoa and processed cocoa products



On the following pages, the main distribution channels and their role in the (organic) coffee, tea and cocoa trade are discussed. Please refer to the surveys on EU countries for website of the companies mentioned in this section, as well as additional companies.

Producers, collectors and cooperatives

Tea, coffee and cocoa can each be produced by small holders, but production also takes place in plantations or large farms. Smallholders can form a cooperative, often enjoying higher prices due to own transport facilities, market knowledge, direct exports and sharing technical knowledge, resources etc. Export systems can either be handled by local companies and export companies/organisations or government agencies, although the frequency of that happening has greatly decreased. Auctions are still an important next step for tea in the trade structure, while they play a limited role in the coffee trade in Africa, especially in Kenya, Ethiopia and Tanzania. Also, foreign exporters, such as Neuman Kaffee (http://nkg.net/), which have export companies in most coffee producing countries, play a large role.

Traditional coffee cultivation, involving recreating coffee's original shaded growing conditions (semi-)diversified, is mainly conducted by small holders. 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, on an especially large scale in producing countries such as Brazil and Vietnam.

Tea is traditionally a plantation product, but in many countries it is also cultivated by smallholders. In Sri Lanka and Southern India especially, 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 the tea 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.

Typically, cocoa is produced by smallholder or family subsistence farming. 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 increasingly processed in the country of origin and cocoa butter, powder and paste are exported to the EU. These products are mostly traded through traders in the EU, but in some cases also directly to EU cocoa processors and food processors.

Brokers

Brokers are intermediaries who bring buyers and sellers together, for which they get paid a commission. Products do not physically come into possession of brokers. Customers can be trading companies, but are mostly processors. 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/commodities_argrl.htm), Sucden (http://www.sucden.co.uk/), Man Financial (http://www.manfinancial.com), Fimat International (http://www.fimat.com), TRX Futures (http://www.trxfutures.com/home) and several financial institutions, but also Calyon Financial SNC (http://www.calyonfinancial.com) in France. Most of these parties also broker coffee.

Furthermore, 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 agents. These can form an interesting channel for exporters to approach the European market, apart from directly contacting European offices. Tea brokers play an especially important function as will be explained below, but they can also play the role described above as an intermediary between exporters and importing companies.

Tea brokers and auctions

Tea is still for a considerable part traded at auctions. Nowadays, the main auction centres are Kolkata, Cochin, Colombo, Mombassa, Blantyre and Djakarta. The system is the same for all auction centres. The tea auction system brings the 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 (J. Thomas & Co. (http://www.jthomas-india.com/), Carritt Moran & Co. (http://www.carrittmoran.com/), Contemporary Targett (http://darjeelingtea.com/) and Paramount Tea Marketing ((+91 33) 295499)). J. Thomas & Co. Pvt. Ltd., the largest tea broker in the world, handles one-third of all tea auctioned in India. Carritt Moran and 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 are inherently discriminated against, 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, have less uncertainty about sales and price, and can avoid the charges associated with auctioning tea (brokers fees, warehousing). Likewise, the system appeals to buyers because it guarantees faster delivery (and therefore higher quality). Especially non-traditional exporters (i.e. excluding India, Sri Lanka and Kenya) sell their tea directly to importers. Countries such as Argentina, China etc. do not work with auction systems. Next to tea, limited quantities of (African) coffee are also traded through auctions, mainly in Ethiopia, Kenya and Tanzania.

Traders/ Import Merchants
Traders play a very important role for all three product groups, but mostly for coffee and cocoa (both for cocoa beans and processed cocoa products). Vertical integration for tea between blenders and traders is considerable; while for coffee, roasters also play a considerable role as traders. This level of the trade structure offers good, if not the best, opportunities for market entry for all three product groups.

International coffee traders went through considerable restructuring and market concentration in the last decades. While some of the large number of coffee traders went bankrupt as they were unable to compete, many merged into larger companies. Large players are Neumann Gruppe (Germany), British-Swiss Volcafé-ED&F Man (http://www.edfman.com), ECOM (http://www.ecomtrading.com) from Switzerland, and the three main traders control almost half of the coffee trade. Coffee is generally purchased form the exporting countries by international trade houses, although the very 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, 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) and Trieste (Italy). However, the New York market is of principal importance as regards its influence on coffee prices. The structure of trade in importing countries is broadly similar across the EU, with the exception of Nordic countries, which lack main traders. Imports are conducted by roasters and agents, often from the main trading centres. East European traders also increasingly import from the main EU coffee centres, instead of directly from producing countries.

The vertical integration for tea in the trade structure is very large. The largest tea importers are also major blenders and packers. Other important 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 operate in the European Union, but western trade is dominated by a few multinational companies. The UK has a very important role in the tea trade. At the global level 85% of world production is sold by multinationals. Four companies are 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 Eastern 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

Other blenders, such as Teekanne (http://www.teekanne.de) Germany also import considerable quantities into the European Union. 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.

The first customers for cocoa beans and processed cocoa products in the EU are usually import merchants, rather than processors or final product manufacturers (for processed cocoa products). Larger processors often have a separate purchasing department sourcing 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.

Most major traders are either located in the Netherlands (with examples such as Theobroma (http://www.theobroma.nl), Huyser Moller & Co. (mailto:huyser-moller@export.nl), Daarnhouwer (http://www.daarnhouwer.nl), Eurobras Trading (+31 (0) 206457110), Bensdorp (part of Barry Callebaut) and Unicom (part of Indcresa)), the United Kingdom, where one of the two major future trading platforms (LIFFE) for cocoa is located (with companies such as Etco International Commodities (http://www.etco.co.uk), Finagra (+44 (0) 2074811515), Louis Dreyfus (http://www.louisdreyfus.com/) and ED & F Man), Germany (Albrecht & Dill Trading (http://www.albrecht-dill.de/), Vogler & Trummer (http://www.vogler-trummer.de/), RAMM (mailto:Ramm-Trading@T-Online.de) and Corinth (http://www.corinth.de/)), Switzerland (Ecom, CCT International (+41 228185500), Taloca (part of American Kraft Foods (www.kraft.com), Noble Resources (European branch of Asian company http://www.thisisnoble.com/), Walter Matter (+41 228393600) and Barry Callebaut Sourcing http://www.barry-callebaut.com) and France (Contango Trading (+33 (0)158193014), Orebi & Cie (+33 1 58710000) and Touton (http://www.touton.fr/groupe.html)) and Belgium (Efico (http://www.efico.com/nl/)).

Storage companies
These 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, Handelsveem (http://www.handelsveem.com) and Unieveem (http://www.schuttergroep.nl/) in Amsterdam, Interporto Rivalta Scrivia (http://www.interportors.it) in Italy, and Quast & Cons. (http://www.quast-cons.de/) in Hamburg.

Processors
Within the coffee market, the level of vertical integration between roasters and international traders remains limited. Although large roasters also import coffee from producing countries themselves, in general the trade structure follows the structure as shown in figure 8.1 from exporters to importers to roasters. Roasting of the original green coffee usually takes place in consumption countries, but in the EU it is done to a large extent by multinationals supplying several EU countries from their production facilities.

The level of concentration in the coffee roasting sector exceeds the level of concentration in the coffee trade. In 2002 the top 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 Maxwell House in the USA and internationally under the Kraft label) controlled almost 60% of the world market for roasted and instant coffees. The top five players controlled 87% 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 to efficiently enter the EU market.

Nestlé dominates the soluble market with a world market share of 50% and is especially dominant in the EU. Kraft is the second player, the two both together accounting for more than three-quarters of the market. The scope for outside manufactures lies mostly in private label production and specialist re-packers. The role of coffee producing countries in soluble coffee consumption in the EU has decreased, with most production taking place in the EU (Agitrade 2006). 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 and account for most of their coffee exports to the EU.

The level of concentration in the roasting sector is very different per country however, with different multinational and smaller nationally oriented roasters dominating 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 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 large role across Europe. East European countries import a relatively significant share of their roasted and soluble coffee needs. Especially Italy plays a large role in supplying East European markets (ITC 2002).

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 than the international trade, with concentration still at a regional level. The top 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 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.

The next step for the coffee and tea trade is the marketing of the retail and catering/institutionally packaged products. This is either done directly 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 for in-home consumption generally account for 70-80% of the overall market. Because of increasing retail concentration and buying power in consuming countries and increasing private label sales, the coffee and tea trade are becoming further concentrated across the board.

Also of importance is the vending machine market, which has several processing companies focussing on this specialised market, such as Riant, of The Netherlands. Furthermore, several large processors have branches focusing specifically on the vending market.

Cocoa processing companies can be divided in two types. Firstly, the grinding industry, producing cocoa paste, butter, and powder from cocoa beans (also cocoa cake), 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 of cocoa beans is Armajero (UK http://www.armajaro.com/) 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). German producers include Euromar (http://www.euromar.de) and Schokinag (http://www.schokinag.de/), whereas large Spanish producers include Moner & Llacuna (+34 936585411) and Natra (http://www.natracacao.com/).

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 and applying to cocoa butter). Some end-product manufacturers who 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 importers or agents, as the latter offer a reference situated within their own country. However, directly contacting chocolate manufacturers, for example can offer insight into the sourcing strategies of such companies and uncover their suppliers.

With more than 2,000 companies 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 scan. For these companies please refer to the country association through http://www.caobisco.com/. However, the market for chocolate is highly concentrated. For example, regarding industrial chocolate, Barry Callebaut accounts for 50% of world production by itself. Regarding consumer chocolate, six manufacturers account for 50% of world 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/).

Consumers buy chocolate or cocoa beverages and confectionery directly through supermarkets and specialty chocolate shops, but these products are also consumed through the catering and institutional sector.

Channels for certified products

Although the markets for sustainable coffee, tea and cocoa are relatively small, they offer interesting opportunities for smaller exporters in developing countries, as discussed above.

Importers of certified coffee, tea and cocoa are often not specialized in coffee, tea or cocoa but have an organic (or/and Fairtrade) focus, focusing on a large number of food products. Furthermore they are mostly dedicated primarily to regular, and not specialty qualities of coffee, tea and cocoa. 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 Fair Trade (http://www.claro.ch) in Switzerland. Next to these specialised organic food ingredients traders, conventional trading houses of coffee, tea and cocoa, , play an increasing role in the trade in organic products, Some of them started earlier to incorporate organic commodities, others started later, once the organic trend appeared to be stronger than they expected. The trade structure for Fairtrade certified products is largely comparable to the organic trade structure and also partly overlaps in terms of companies. However, there also exist specific Fairtrade players.

Coffee

Previous logistic and administrative issues concerning redistributing organic coffee from containers into smaller batches, has largely been solved by the introduction of Certificates of Import, introduced in 2003.

Fairtrade and organic certification, in that order have been on the market longer than Utz Kapeh, but Utz Kapeh is growing more rapidly than other certification schemes. According to the Utz Kapeh website, it surpassed the other schemes in importance in 2006 thanks to the support it enjoys from major retailers. Rainforest certified products play a particularly limited role in the EU. New types of certification (for example Bird Friendly) have recently entered the market, but industry and market response to them has yet to be evaluated.

In recent years, supermarkets have gained hugely in importance for the sales for certified coffee. The primary retail chains in the EU offer organic and Fair-Trade coffee and often have their own brand of organic coffee, or sell Fair Trade brands (for example Fair Trade Original). Utz Kapeh also began as the certification scheme of the Ahold Coffee Company (+31 (0)756593252) and is sold in Ahold supermarkets across Europe.

The primary means for selling certified coffee is now conventional commerce (supermarkets). World Shops are present in all the European countries and are related to the Fair-Trade initiative. Furthermore, there are also organic food supermarkets and stores which sell organic coffee. Another major channel is institutional consumption: sales made to company and government offices. In Europe, the official coffee of the European Parliament and various local governments, including the president of Germany, is Fair-Trade.

Supermarkets rent 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 that sell coffee under their own brand. Among the best known in Europe are Café Direct (England http://www.cafedirect.co.uk/), Simon Levelt (The Netherlands http://www.simonlevelt.nl/), and Rapunzel and Lebensbaum (Germany http://www.lebensbaum.de/), or under the name of Fair-Trade importers, such as Gepa, Fair Trade original, Solidar Monde (http://www.solidarmonde.fr/) or CTM Altromercato http://www.altromercato.it. In the EU, CIMS has identified around 100 certified coffee importers, 80 for organic, 70 for Fairtrade, 19 for Utz Kapeh, 12 for Rainforest Alliance and 1 for Bird Friendly, with double counts. Most are located in The Netherlands and Germany and are companies dedicated to re-exporting to other countries such as Scandinavia, Switzerland, and Italy. England also has a major number of importers, but they are oriented towards local consumption.

CIMS identified around 250 roasters in Europe which offer some sort of sustainable certification. Two-thirds offer Fair-Trade coffee and half offer organic coffee. There are 23 roasters registered with Rainforest Alliance, 12 with Utz Kapeh and 1 with Bird Friendly.

In Europe, certified coffee (i.e., organic, Fairtrade, Utz Kapeh, Rainforest Alliance, etc.), mostly does not belong to the specialty coffee sector and is sold primarily through traditional channels (either mainstream retailers or organic retailers).

Tea

Germany and the UK are the most important markets In the EU for organic tea. The UK is also by far the most important market for Fair Trade tea, accounting for 70% of the 2,600 tonne world market in 2006 (FLO international 2007). Major organic importers/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 organic trading houses, which also carry tea in their product assortment are more often located in The Netherlands and Germany and have been mentioned above.

Major tea importers such as Unilever, Van Rees, James Finlay and Tetley/Stansand are 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 fair trade tea is relatively broadly carried in supermarket assortments in the United Kingdom, but less often in Germany or other European countries. Here, the bulk of organic tea is sold via organic shops or health food stores.

Therefore, the German and British market will be of special interest. However, another interesting company, De Drie Mollen, a coffee and tea processor also producing organic and fair trade tea, is located in The Netherlands. Simon Levelt and Algra Mocca d'Or (http://www.algrakoffie.nl/), another organic/fair trade certified tea and coffee producer is also located in The Netherlands. Relevant companies can be found in the CBI market surveys covering the (organic) coffee, tea and cocoa market in individual EU countries.

In many EU countries, the focus within the tea market is more on Fair-Trade 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 in The Netherlands have only one type of organic tea, which is also Fair Trade certified.

Cocoa
Specialized cocoa traders play a limited role in the organic cocoa market, but in interviews with industry sources it was found that large traders of cocoa are also examining with interest the possibilities for entering the organic market and are looking for suppliers of cocoa beans, paste and butter.

Cocoa processors will usually be involved on request of end-users (Dutch Cocoa, Nederland SA (+34-936585411) in Spain), or they are part of integrated chocolate companies which also have organic lines (ICAM (http://www.icamcioccolato.it/), Barry Callebaut and Debelis (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 cocoa not actually imported by importers. These companies are looking for both organic cocoa beans as well as processed cocoa products. Part of the organic cocoa is processed at the origin, with certified processing plants being available in, amongst others, Bolivia, Peru and the Dominican Republic.

Currently, there is only one major consumer chocolate manufacturer involved in the organic chocolate market (Barry Callebaut), as well as several up-market retailers. Important specialized brands and manufacturers include Green & Black's (http://www.greenandblacks.com/uk), 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, or buying specialised organic chocolate (in case of Cadbury buying Green & Black's). Only rarely do chocolate manufacturers source cocoa products directly in production countries, and only when it concerns company-owned local processing facilities.

Some major European companies involved in processing of Fair-Trade cocoa are Daarnhouwer & Co. and Dutch Cocoa BV (Holland). Two prominent companies whcih manufacture (not process) Fair-Trade and organic chocolate are Chocolat Bernrain (Switzerland), which produces conventional, organic, and Fair-Trade chocolate, and Weinrich & Co. (Germany), a chocolate manufacturer producing both organic and Fair-Trade products. Rapunzel and Gepa only produce organic/fair-trade chocolate.

8.2 Useful sources

Information sources

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 shows 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.
- Icco's 2002 report on Organic Coffee, Cocoa and Tea provides information on major players in the organic market for all three products discussed. This survey can be found at: http://www.sippo.ch/cgi/news/publications.asp?mode=6#org2
- 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 should 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/businessdirectory.php?mode=alpha&let=D

Cocoa

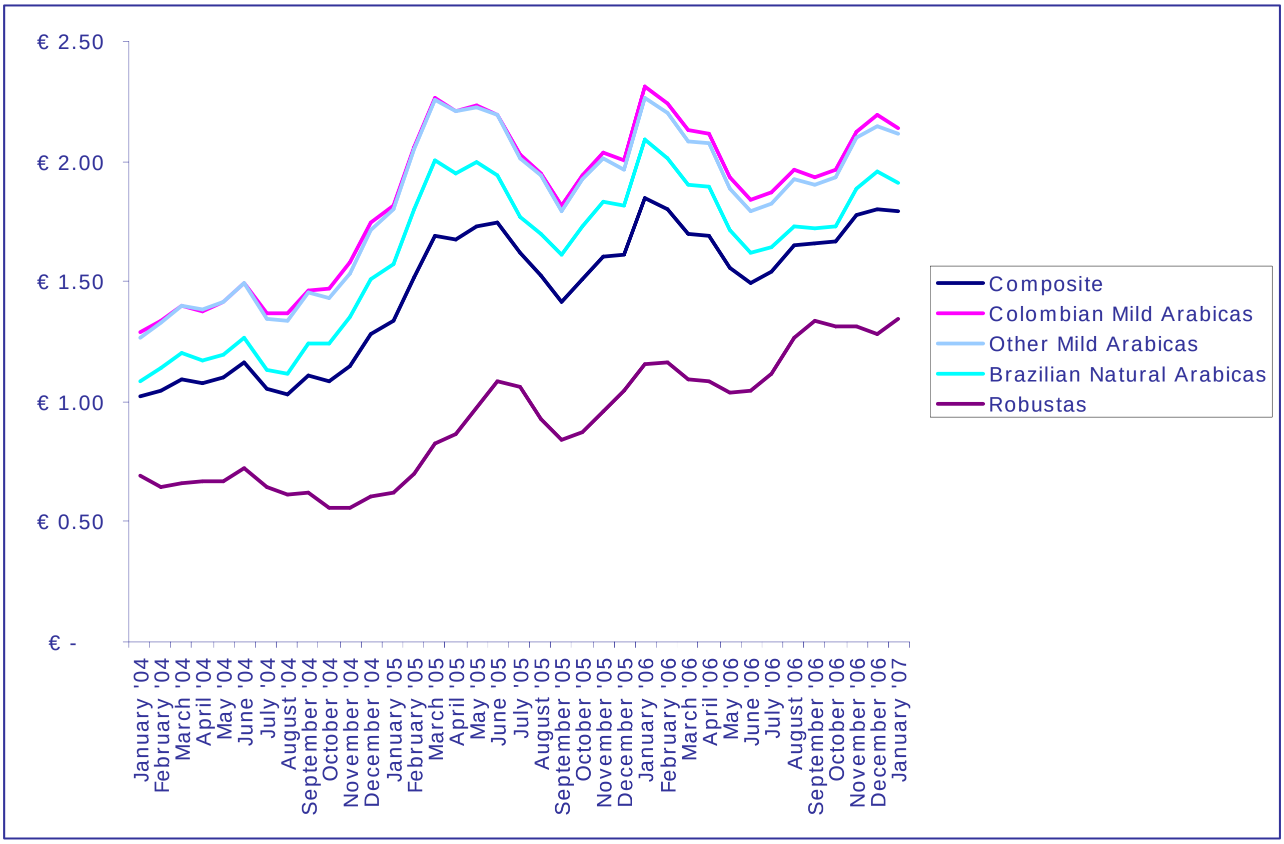
- "*Cocoa: A Guide to Trade Practices*" is a very comprehensive information source for the cocoa trade. The study can be ordered at: http://www.intracen.org/eshop/f_e_IP_Title.Asp?ID=9602&LN=EN.
- Companies active in the cocoa trade can be encountered at the following websites.
- http://www.cocoafederation.com/membership/members.jsp
- 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.

9 PRICES

9.1 Coffee

As was already indicated in chapter 6 and 7, prices of coffee have had a tremendous effect on import figures of coffee. Figure 9.1 shows the development of coffee prices during the last 2.5 years, which clearly shows the overall rise, which commenced in January 2004. In the preceding year, prices had been comparatively low. In 2001 and 2002, prices hovered around an average of € 1.10 per kilo. Prices were somewhat higher already in 2003, but the strong price increase set in at the start of 2004, at which time the considerable imbalance between supply and demand (oversupply) for coffee began to decrease. Prices of coffee remain very volatile. In 2005 alone, the monthly average reached a high of € 1.74 per kilo and a low of € 1.33 per kilo, a difference of more than 30%. On a monthly basis, fluctuations can be much larger, due to speculative buying of coffee futures. After a substantial slump in prices in the summer of 2006, prices increased to € 1.79 per kilo.

Figure 9.1 Weighted[4] prices for coffee, 2004-2007, in € per kilo



Source ICO 2006

Coffee stocks in consuming countries have remained substantial, but have decreased in several EU countries (ICO, 2006). Coffee traders and analysts are anticipating continued high prices in 2007 after the International Coffee Organisation forecasted a major deficit in global output during the 2007/08 season, due to limited production in Brazil. Even if production in other countries were to increase during crop year 2007/08, it would not be sufficient to offset the

[4] 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 world market prices. As coffee is a bulk commodity traded worldwide, these world 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%).

shortfall in Brazilian production, and a deficit is expected of 8 million bags (Public Ledger, January 2007).

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 very volatile markets (ITC 2002).

Please also note that the prices mentioned above are indicative for the conventional market. According to SIPPO, premiums for organic coffee in the European Union are between 15% and 25% above the conventional price. However, these indications are on the high side for some origins. At the FOB level, the physical quality (number of imperfections) and cup characteristics become the primary parameters for setting prices. On average, producers receive for a pound of parchment Arabica coffee in Latin America the following premiums: 35% for Rainforest Alliance, 39% for organic, 43% for Bird Friendly, 57% for Fairtrade and 108% for Fairtrade/organic (CIMS 2004). However, much depends on the location characteristics, which affect the bean quality. Although the price differential over conventional coffee is large, the proportion of organic coffee is steadily growing. However, since more retailers and more brands offer organic and Fair-Trade coffees, competition will bring down prices. Regarding Fair-Trade certified coffee a premium of $ 0.05 is paid above minimum prices for conventional and organic coffee. The organic Fair-Trade minimum prices calculated by FLO international are more than 10% above conventional minimum prices (FLO International 2007). Furthermore, specialty coffees, regional specialties etc. command a much higher market price as well.

The average retail price of coffee shows a very large divergence between the EU countries. Prices per kilo range from € 4.60 in Denmark to € 26.12 in the United Kingdom. Lower prices in Scandinavian countries are caused by the very high consumption in these countries and the extremely fierce competition prevailing on the coffee consumer market. Roasters often sell their products below production costs for extended periods. 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, with much higher per kilo prices. Prices are also relatively high in Italy (€ 10.86 per kilo), which might be due to the large number of small roasters on the market and the large range in qualities sold on the market, with a focus on more expensive espresso coffees.

9.2 Tea

Tea supply is continuously exceeding demand, and real prices have been declining since the 1980s. The weakness of the US dollar against local currencies has also reduced the export value of tea in local currencies. Governments in producing countries focused more on increasing supply than increasing quality and further processing. Thus, not only the quantity of tea offered on the international market has increased, but at the same time quality has decreased. Therefore, supply constraints and high prices for high quality teas persist. However, over-supply of lower quality tea could also negatively affect prices of these premium teas. Tea quality, and therefore tea prices, are determined on the basis of liquor, aroma/flavour and leaf appearance.

Tea prices show a large variation, both at the aggregate level and the auction level, due to large differences in quality. A considerable percentage of globally produced tea is traded at auctions. In January 2007, the average price for tea at the three main auction centres – Kolkata (India), Mombassa (Kenya) and Colombo (Sri Lanka) – was € 1.349 per kilo, signifying a slight increase compared to 2005, but a decrease compared to 2006 in real terms.

Most sources within the tea market still predict a continuation of the state of oversupply on the international tea market. Prices will not improve on the short term, and might even drop further in (real) prices.

Table 9.2 Auction prices for tea at the three major auctions, 2005-2007, in € per kilo

	Annual averages			Quarterly averages 2006				Monthly averages		
	2005	2006	2007	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	nov-06	dec-o6	jan-07
Average of 3 auctions	1.32	1.49	1.35	1.49	1.53	1.53	1.41	1.39	1.39	1.35
Colombo	1.48	1.52	1.52	1.60	1.43	1.50	1.56	1.50	1.61	1.52
Kolkata	1.30	1.40	1.21	1.20	1.53	1.51	1.34	1.34	1.25	1.21
Mombassa	1.19	1.56	1.31	1.66	1.64	1.60	1.34	1.34	1.30	1.31

The price for organic tea strongly follows the market rules and, similar to conventional prices, is largely based on quality. Even compared to considerable price fluctuation on the conventional market, prices on the small organic tea market are extremely variable. Due to increasing conversion of tea production to organic standards, prices have decreased substantially. Moreover, due to changing preferences within the health trend (from green tea to rooibos for example) organic production and organic consumption in the EU do not always match each other. With a substantial drop in yields, or up to 30% after conversion, a significant drop in income could result during the period when the products cannot yet be marketed as organic.

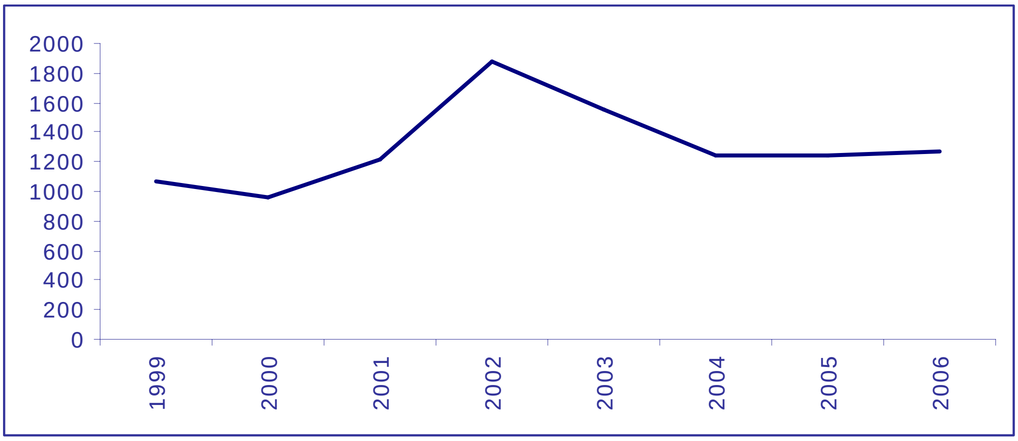
The Fairtrade price premium is fixed for all teas produced with the CTC production method, as well as for orthodox fannings and dust, at € 0.50 per kg of made tea. All other teas manufactured with the orthodox method will carry a Fair-Trade premium of € 1 per kg, independent of the market price mentioned above. The Fair/Trade premium for Rooibos, Camomile, Mint and Hibiscus is set at € 0.50 per kilo (Flo, 2007).

9.3 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 more difficult to encounter. The International Cocoa Organisation (ICCO) has comprehensive data on daily physical prices for cocoa beans, which is completely up to date. Please note that prices are given using the average quotation on the London Cocoa Terminal Market and by the New York Board of Trade. These are the two major trading platforms where the international price for cocoa is determined. As can be seen in Figure 9.3, prices for cocoa beans showed a dramatic increase between 2000 and 2002, to a maximum of almost € 2,000 per tonne. Up until 2004 prices decreased, to a low of just above € 950 per tonne in June 2004. Since then, average annual prices remained at a higher level, with monthly prices ranging between € 1,200 and € 1,400 per tonne, ever since. In February 2006 prices were around € 1,400 per tonne. As prices fluctuate on a daily basis, the information above should be used exclusively as an indication.

Prices for cocoa beans futures are also given by the Public Ledger, and are 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.

Figure 9.3 Annual averages of daily prices of cocoa beans, 1999-2006, € per tonne



Source: Icco 2006 *Please note that the data for 2006 concerns monthly averages until June.

As for the future, ICCO is expecting a decrease in prices in constant value terms between 2005 and 2011. These projections are based on stocks (based on changes in demand and supply for beans) and the size of stocks compared to grindings. In real value terms, ICCO expects an increase of prices of 13.8%, or 2.2% annually, from €1,240 in 2005, to € 1,410 in 2011. The expected increase in stocks, in relation to grindings, in 2007 and 2008 will impede price increases during that period, but especially in the latter part of the forecast period prices could increase significantly as stocks decrease. ICCO holds that with a stocks-to-grindings ratio of 32% (the total amount of stocks equates to 32% of grindings) the world cocoa market will be more or less balanced. This target will likely be achieved at the end of the projection period. In the short term, however, dry spells in Ivory Coast and higher than expected consumption in Europe (especially in Germany), may lead to upward price pressure and supply shortage in the 2006/2007 season (Public Ledger, February 2007).

Organic prices for cocoa fluctuate according to the market situation. Unless the product is part of secured arrangements (such as Fair Trade) there is no secured premium for certified products. However, current premiums are favourable. According to industry sources premiums for organic cocoa diverge between a minimum of € 240 ($300) above the conventional price to as much as € 400 ($500). This is a premium of 25% above the conventional market prices. Between 2001 and 2003, premiums were as low as € 100, reflecting supply-demand imbalances, but at the moment premiums are approaching € 400 ($500). Fair-Trade certification entails an additional premium of € 120 ($150) above a minimum conventional price set by FLO of € 1,280 ($1600) (FLO 2006).

Table 9.3 Prices of cocoa beans, liquor, cake and butter, € per tonne

	Settl. 8 feb	Jan-Dec High	Jan-Dec Low
Beans			
Main crop Ivory Coast beans ex dock US spot	€ 1,493	€ 1,506	€ 1,425
Ghana main-crop ex dock US spot	€ 1,579	€ 1,593	€ 1,511
Sanchez Faq beans ex dock US spot	€ 1,481	€ 1,494	€ 1,412
Sulawesi Saq beans ex dock US spot	€ 1,314	€ 1,327	€ 1,245
Arriba superior beans ex dock US spot	€ 1,893	€ 1,907	€ 1,786
Malaysian 110 beans ex dock US spot	€ 1,285	€ 1,298	€ 1,216
Paste			
Equador liquor ex dock US spot	€ 2,506	€ 2,532	€ 2,372
Cake			
Natural 10/12% pressed cake	€ 667	€ 674	€ 632

Source: Public Ledger dec-2006
Currency conversions using Oanda

9.5 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.liffecommodities.com
- New York Board of Trade: http://www.csce.com/
- CIMS Sustainable coffee: the Market in Europe http://www.cims-la.com/en/index.asp

10 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.

10.1 Legislative requirements

European legislation is compulsory for all products traded within the EU. Therefore, as an exporter in a developing country you have to comply with the legislative requirements which are applicable to your products. For information on legislation, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select your market sector and the EU in the category search, click on the search button and click on legislative requirements for an overview of all documents on legislation.

EU legislation for food products is laid down in the framework legislation called the General Food Law EC/178/2002. The Hazard Analysis Critical Control Point (HACCP) system, as based on Regulation (EC) 852/2004 on the hygiene of foodstuffs defines certain specific hygiene requirements for food imported into the EU. The EU sets standards for organic production of agricultural products in Regulation 2092/91/EEC and its amendments and defines export procedures in Regulation (EC) 1788/2001. Directive 99/4/EC lays down requirements relating to coffee extracts and chicory extracts. The use of synthetic and/or nature identical aromas is not permitted in organic foodstuff. *Natural* flavourings are permitted only if they are in accordance with EU Directive 88/388/EEC. Caffeine extraction processes are also strictly regulated. Legal requirements for pesticide residues are laid down for tea. Directive 2000/36/EC lays down requirements related to cocoa and chocolate products intended for human consumption.

10.2 Non-legislative requirements

Social, environmental and quality related market requirements are of growing importance in international trade and are often requested by European buyers through labels, codes of conduct and management systems. For information on non-legislative requirements go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select your market sector and the EU in the category search, click on the search button and click on your subject of interest under non-legislative requirements for an overview of all documents on the subject concerned.

Furthermore, ITC's documents 'Coffee: An exporter's guide', and 'Cocoa: A guide to trade practices', provide a wealth of information on quality requirements. Both can be found at http://www.intracen.org/eshop/f_e_Publications.asp?LN=EN.

10.3 Packaging, marking and labelling

You can download information on requirements on packaging, marking and labelling in specific EU countries from the CBI website. Go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select your market sector and the EU country of your interest, click on the search button and click on 'market surveys' for an overview of documents on the country of your interest.

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 longer stretches unless containers are ventilated: this is a condition which can be specified in contracts by EU traders and roasters. The limited exports from developing countries of soluble coffee are as finished product (in primary packaging, mostly bags but also bulk), with retail packaging taking place in the EU.

In the case of tea, a distinction can be made between 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 smell-free environments. A good information source is also ITC's "Cocoa: A Guide to Trade Practices" http://www.icco.org/ITCCocoaGuide.htm.

10.4 Tariffs and quota

You can download information on requirements on tariffs and quota in specific EU markets from the CBI website. Go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select your market sector and the EU country of your interest, click on the search button and click on 'market surveys' for an overview of documents on the country of your interest.

Product / HS code		Conventional import duty (%)	Country groups	
			SPGA / SPGE*	SPGL*
	Coffee			
0901	Coffee			
0901 11	Unroasted coffee with caffeine	0.0	-	-
0901 12	Unroasted coffee decaffeinated	8.3	0	4.8
0901 21	Roasted coffee with caffeine	7.5	0	2.6
0901 22	Roasted coffee decaffeinated	9.0	0	3.1
	Tea			
0902	Tea			
0902 21/22	Green Tea	0 – 3.2	0	0
0902 23/24	Black Tea	0	-	-
	Cocoa			
1801	Cocoa beans, whole or broken, raw or roasted	0.0	0.0	0.0
1803	Cocoa paste	9.6	0.0 - 1.2	6.1
1805	Cocoa powder without added sugar or sweeteners	8.0	0	2.8

* In order to support exports from developing countries, the EU operates the Generalised System of Preferences. Under the GSP scheme of the EU, imports from a number of developing countries are admitted at a reduced tariff and imports from a group of least-developed countries at a zero tariff.

APPENDIX A DETAILED HS CODES

HS code	Product
Coffee	
0901	Coffee
0901 11	Unroasted coffee with caffeine
0901 12	Unroasted coffee decaffeinated
0901 21	Roasted coffee with caffeine
0901 22	Roasted coffee decaffeinated
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
1805	Cocoa powder without added sugar or sweeteners

APPENDIX B LISTS 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	Nicargua	Uzbekistan
Algeria	Georgia	Niger	Vanuatu
Angola	Ghana	Nigeria	Venezeula
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 2007:

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

Albania
Armenia
Bangladesh
Benin
Bolivia
Bosnia-Herzegovina
Burkina Faso
Colombia
Ecuador
Egypt
El Salvador
Ethiopia
Georgia
Ghana
Guatemala
Honduras
India
Indonesia
Jordan
Kenya
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

APPENDIX C REFERENCES

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