

CBI MARKET SURVEY

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

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Report summary

This CBI market survey discusses, amongst others, the following highlights for the (organic) coffee, tea and cocoa market in Denmark:

- Denmark has the second-highest per capita coffee consumption in the EU (9.0 kg in 2005), with total consumption amounting to 814 thousand (60 kg) bags.
- Total tea consumption amounted to 1,360 tonnes (0.27 kg per capita), which is relatively low by EU standards.
- Cocoa grindings in Denmark amounted to 12 thousand tonnes in the cocoa year 2005/06. At almost 8 kg in 2004, per capita consumption of chocolate confectionery in Denmark is well above EU average (5.8 kg).
- Denmark is a rather small importer of coffee, tea as well as cocoa, with imports amounting to € 103 million in 2005, tea imports € 11 million, cocoa bean imports € 22 million, cocoa paste import € 2 million and cocoa powder imports € 7 million.
- Developing countries play a significant role only in the supply coffee (accounting for 55% of supply) and cocoa beans (almost 80% of total supply).

This survey provides exporters of (organic) coffee, tea and cocoa with sector-specific market information related to gaining access to Denmark. By focusing on a specific country, the survey provides additional information, complementary to the more general information and data provided in the CBI market survey 'The (organic) coffee, tea and cocoa market in the EU', which covers the EU market in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.eu/marketinfo>.

1. Market description: consumption and production

Due to the interesting perspectives offered to developing country exporters in organic and other certified markets for coffee, tea and cocoa, these are given a particular focus in this survey. These markets grow faster, offer a premium, and traded volumes are smaller than in the conventional market. The organic market is very far developed in Denmark, but information on actual consumption and production of certified products is very limited.

Moreover, whereas coffee and tea consumption is referred to simply as consumption, where cocoa is concerned it is referred to as industrial demand. Coffee and tea processors produce consumer products, while cocoa grinders produce ingredients for chocolate manufacturers and food processors. Data on final consumption of coffee and tea by EU citizens is 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.

Consumption**Coffee**

- Denmark is a medium-sized coffee consumer, responsible for 2% of total EU consumption (ICO, 2006).
- ICO statistics (2005) show that total Danish coffee consumption is declining at an average annual decrease of 1.5% between 2001 and 2005, amounting to 814 thousand bags in 2005.

- On the other hand, per capita consumption in Denmark is the second highest in Europe, showing a decrease between 2004 and 2005 amounting to 9.0 kg per person.
- Sales of premium coffees are increasing with Danish consumers increasingly consuming cappuccino and espresso coffees.
- In 2005, sales of Fair-Trade-certified coffee amounted to 600 tonnes, which was a 9% increase compared to the preceding year (Fairtrade.net 2006).
- Industry sources forecast that Fair Trade coffee will experience a decline in sales as certified coffee. A modest overall growth for organic coffees is expected.

Tea

- Denmark is a medium to small tea consumer in the EU, with a market share of 0.6% (ITC, 2006).
- Total Danish tea consumption shows an average annual decrease of 6.0% over the period 2001-2005, being the strongest decrease in the EU over this period and amounting to 1.4 thousand tonnes in 2005. Green tea consumption is showing considerable increases each year and this development is expected to continue, also due to increased availability of green teas with added flavours, available on the Danish market.
- As for total consumption, per capita consumption shows an annual average decrease of about 3.4% amounting to about 0.3 kg in 2005.

Cocoa

- Danish cocoa grindings are medium to small compared to other EU countries, accounting for an EU market share of 1.0% (Icco, 2006).
- Total grindings of cocoa beans in Denmark shows the strongest increase in the EU over the period 2001-2006, with an annual average increase of 52.8% amounting to 12.0 thousand tonnes in 2005/2006 (Icco, 2006). However, Danish grindings remain limited and are sporadic in nature, and probably take place in the small processing facilities of foreign and domestic chocolate producers in the country.
- Per capita chocolate consumption in Denmark is medium to high with 7.9 kg in 2004 (Coabisco, 2007).
- In 2005, sales of Fair-Trade-certified cocoa amounted to 38 tonnes, which was a substantial increase compared to sales (12 tonnes) in the preceding year (Fairtrade.net 2006).

Market segmentation

- Market segmentation of coffee, tea and cocoa in Denmark does not differ from overall EU segmentation. For more information, please refer to the CBI survey covering the coffee, tea and cocoa market in the EU.

Production

- Because of climatic conditions, no production of coffee, tea and cocoa beans takes place within the EU. Denmark is fully dependent on imports of these products from other countries.
- Denmark has a very limited grinding industry, likely to be incorporated in chocolate production. Tea and coffee processing predominately takes place in the EU, and Denmark itself also has several players; however, coffee and tea are often processed abroad.

Trends

- Although black tea remains the most consumed tea variety, green tea is also becoming popular.
- Like in other European countries, a slow trend is noticed towards more consumption of dark chocolate instead of milk chocolate.
- Another slow trend, which is noticeable in Denmark, leans towards single origin products, or 'products with a story' as it is called by industry.
- Chocolate in Denmark is moving away from the gift culture as a more luxury product to becoming a more count-line product. Chocolate is more and more consumed any time of the day as a snack, instead of being served at a birthday party for example.

Opportunities and threats

- Just like the other Scandinavian countries, coffee consumption is very popular in Denmark, which could offer market opportunities for developing country coffee exporters.
- At almost 8 kg in 2004, per capita consumption of chocolate confectionery in Denmark is well above EU average (5.8 kg).
- Denmark is a country in which the interest in organic and natural products is strong and still growing.

Useful sources

- 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
- International Tea Committee's Annual Bulletin of Statistics 2006, which can be purchased at <http://www.inttea.com/publications.asp>
- An interesting source for information on cocoa is <http://r0.unctad.org/infocomm/anglais/cocoa/sitemap.htm>
- International Cocoa Organization at <http://www.icco.org>
- Fairtrade Labelling Organizations International coffee, tea and cocoa information at <http://www.fairtrade.net/coffee.html> or [tea.html](http://www.fairtrade.net/tea.html) or [cocoa.html](http://www.fairtrade.net/cocoa.html).
- Furthermore, national associations as mentioned in Section 6 also often offer very useful information.

2. Trade: imports and exports

Imports

Table 2.1 Imports by Denmark and leading suppliers to Denmark, 2001 - 2005, share in % of value

Product	2001 € mln	2003 € mln	2005 € mln	Leading suppliers in 2005 Share in %	Share (%)
Coffee	96	67	103	Intra-EU: Sweden(29.3), Germany (8.4), Belgium (3.2), Italy (2.2), The Netherlands (1.6) Extra-EU ex. DC: - DC*: Brazil (28.0), Colombia (8.2), Peru (2.8), Honduras (2.5), Vietnam (2.4)	45.0 0.1 54.9
Unroasted coffee	87	57	64	Intra-EU: Germany (6.5), Belgium (2.6), Sweden (2.5) Extra-EU ex. DC: - DC*: Brazil (44.7), Colombia (13.1), Peru (4.5), Honduras (3.9), Vietnam (3.9), Burundi (2.5)	12.3 0.1 87.6
Roasted coffee	8	10	38	Intra-EU: Sweden (4.5), Germany (11.2), Italy (5.8), Belgium (4.1), The Netherlands (3.4), Extra-EU ex. DC: - DC*: -	99.6 0.4 0.1
Tea	15	11	11	Intra-EU: Sweden (39.7), Germany (19.3), Hungary (14.7), The Netherlands (5.9), Belgium (2.1) Extra-EU ex. DC: USA (1.4) DC*: Sri Lanka (7.1), China (3.1), India (2.5)	82.6 3.0 14.4
Black Tea	14	9	10	Intra-EU: Sweden (42.5), Germany (19.4), Hungary (14.1), The Netherlands (5.3), Belgium (2.4) Extra-EU ex. DC: USA (0.9), Switzerland (0.7) DC*: Sri Lanka (7.5), India (2.7), China (1.9)	84.4 2.4 13.2
Green Tea	1	1	1	Intra-EU: Sweden (20.4), Hungary (19.6), Germany (18.2), The Netherlands (10.3) Extra-EU ex. DC: USA (4.9), Japan (1.0) DC*: China (11.5), Sri Lanka (4.4), Turkey (3.8)	69.7 7.2 23.1
Cocoa beans	8	0	22	Intra-EU: United Kingdom (21.1) Extra-EU ex. DC: - DC*: Togo (43.8), Côte d'Ivoire (34.9)	21.3 0.0 78.7
Cocoa paste	0	4	2	Intra-EU: The Netherlands (98.5), Germany (1.5%)	100.0

				Extra-EU ex. DC: -	0.0
				DC*: -	0.0
Cocoa powder	5	9	7	Intra-EU: The Netherlands (49.8), Germany (36.9), France (8.0), United Kingdom (3.4)	99.7
				Extra-EU ex. DC: -	0.2
				DC*: -	0.1

Source: Eurostat (2004)

*Developing Countries

Coffee

Denmark is a rather small coffee importer, ranked 12th among EU countries. This corresponds to 1.8% of total EU coffee imports, worth € 103 million / 49 thousand tonnes. Due to fluctuating world prices, Danish imports of coffee show a wide variation between consecutive years. Between 2001 and 2003, the import value of coffee decreased by 8% annually whilst import volume only decreased a little. Between 2003 and 2005, import volume decreased further, whilst import value increased by 11% annually, surpassing the 2001 level.

Danish imports of roasted coffee increased tremendously (by 46% annually between 2001 and 2005), now accounting for 3% of total EU roasted coffee imports. On the other hand, imports of unroasted coffee decreased by 7% annually in the same period, which might signify a decrease in local processing.

The share of developing countries in Danish imports is somewhat below the EU average. Developing countries account for 55% of Danish coffee imports and their share decreased by 9% annually between 2001 and 2005, whilst imports from EU countries increased annually by 37%. Most of this increase can be contributed to Sweden, Denmark's number one coffee supplier, a country with an increasing trade function in Nordic countries, from which imports increased by 156% annually. Leading developing country suppliers are Brazil, with a 28% market share and Colombia (8.2%). Imports from both countries decreased substantially.

Organic

According to ICO, Denmark is a small importer of organic coffee with an import volume amounting to 192 tonnes in 2005. The leading developing country supplier was Mexico, accounting for 93% of total import volume in 2005.

Tea

Denmark is a small tea importer, for green tea as well as black tea and accounts for 1.5% of total EU tea imports. The import value as well volume decreased steadily between 2001 and 2005, by 8% annually amounting to € 11 million / 1.5 thousand tonnes. This mirrors the substantial decrease in local consumption of tea.

The share of developing countries in Danish tea imports is far below the EU average. Developing countries account for 14% of Danish tea imports and their share has been decreasing annually by 4%. However tea imports from intra-EU countries decreased even more, by 8% annually, which therefore actually signifies an increase of the developing country share. The three leading tea suppliers are Sweden (40%), Germany (19%) and Hungary (15%). Denmark's leading developing country supplier is Sri Lanka, with a 7.1% market share.

Cocoa

Danish imports of cocoa products are limited, and vary considerably between consecutive years. In 2005, Denmark ranked 10th among EU countries regarding imports of cocoa beans, 15th for cocoa paste, and 10th for cocoa powder.

Imports of cocoa beans are in particular relatively limited and inconsistent, underwriting earlier statements of a very limited processing sector. The imports which do take place are mostly sourced in African countries, but also to a relatively large extent in EU countries, most notably the UK. Due to import irregularity it is not possible to distinguish trends in sourcing countries.

Imports of cocoa paste are also small, and exclusively sourced from EU suppliers, mainly The Netherlands. Imports of cocoa powder were more consistent during the review period, following EU trends, with increasing imports between 2001 and 2003, due to higher prices, and decreasing imports thereafter. Volumes have stayed mostly stable at a limited 3 thousand tonnes. Almost all imports originate in EU countries, mostly The Netherlands and Germany.

Exports

Coffee

Denmark is a small coffee exporter, accounting for 1.2% of total EU coffee exports, amounting to € 26 million / 7.2 thousand tonnes in 2005. Furthermore, exports decreased by 11% annually between 2001 and 2005. Exports consist completely of roasted coffee.

Tea

Denmark is a small tea exporter, accounting for 0.5% of total EU tea exports, which amounts to € 2.3 million / 160 tonnes in 2005. Exports decreased by 14% annually between 2001 and 2005. Interesting to note is that the situation for the two tea varieties is completely different. Denmark only recently started to export green tea, amounting to € 686 thousand in 2005. On the other hand, more traditional exports of black tea decreased considerably by 21% annually in the same period. Most of the tea is exported to Greenland and Latvia.

Cocoa

Danish exports of cocoa powder are negligible. Denmark does not export cocoa beans or cocoa paste.

Opportunities and threats

Denmark does not seem a very interesting market for developing country producers for either coffee or tea, because of the following reasons:

- The coffee and tea market is not large and consumption figures show a decrease between 2001 and 2005.
- The share of developing countries in the very limited Danish imports of coffee and tea is below the EU average, also imports from developing countries decreased in the period revised.
- Little re-export takes place.

Also regarding cocoa, the trade figures presented above offer a limited basis for developing country producers of cocoa products to target the Danish market. Imports are very limited, and a relatively limited proportion of those imports is sourced in developing countries compared to the EU in general. The Danish market is, to a considerable extent, supplied from neighbouring Sweden, which might offer more opportunities.

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>

3. Trade structure

The three product groups discussed are each 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 an entirely different trade

structure. Some initial processing takes place for coffee, tea and cocoa, before being exported to the EU, but local processing of cocoa is becoming more common. However, this is often conducted by international processors such as ADM and Cargill. Please keep in mind that the tea and cocoa trade are very limited in size in Denmark, and all three sectors depend mostly on other EU countries for their imports. For more information, please refer to the CBI survey covering the EU market for coffee, tea and cocoa.

Brokers and agents

- Brokers and agents play an important role in all three commodity chains, but especially for tea since they are prime actors at tea auctions. Large multiple commodity brokers, as well as smaller specialised companies, are active in these markets. These brokers are located in the main trading countries in the EU. Agents representing importing companies in developing countries can play an important role, but except for coffee, direct imports from developing countries are very limited in Denmark.
- The auction trade is specific for tea and a considerable part is still traded through the main auction centres. These auctions are dominated by a very limited number of brokers and are difficult for outside parties to enter. More and more tea is traded outside the auction systems, especially by new entrants into the tea trade.

Traders

- Traders play a very important role for all three product groups. This level of the trade structure offers good, if not the best, opportunities for market entry for all three product groups. However, for all three product groups trade is increasingly concentrated in a limited number of trading companies, which are not located in Denmark. Prospects remain for smaller specialised traders that trade in non-conventional products (high quality, specific origin), which might be interesting for developing country producers.
- Apart from traders, coffee roasters also play a considerable role as traders themselves. Nordic countries such as Denmark largely lack main traders. Imports are conducted by (international) roasters and their agents, often from the main trading centres in the EU.
- Vertical integration between tea blenders and traders is considerable. Next to the top internationals, which have a huge influence on tea trade with their role in production, trade and processing, more local traders, and also blenders import considerable quantities. However, the Danish tea market appears to be almost exclusively supplied by international tea companies such as Sara Lee/DE, and Unilever. Smaller distributors are active on the Danish market for tea and source tea in other (mostly EU) countries.
- The largest cocoa processors also have their own import departments, but trading companies play a very large role in processor sourcing practices. Denmark does not have any major cocoa traders.

Processing

- The level of concentration in processing (roasting of coffee, blending of tea, and grinding of cocoa) industries is also very large.
- Roasting of the original green coffee usually takes place in consumption countries. In the EU, this often concerns multinationals supplying several EU countries from their production facilities. The level of concentration in the roasting sector is very different per country, with different multinationals and nationally oriented roasters dominating the market. With a 90% market share for the top six roasters, Denmark has one of the most concentrated coffee markets in the EU. The market leader in the conventional market is Merrild, a subsidiary of Sara Lee/DE. The market leader in the instant coffee market is by far Nestlé. Even though many of them disappeared, Denmark still has several smaller roasters producing under own brands or private labels. The most important ones are BKI Kaffee, Eurogran and Peter Larsens Kaffe.
- Although less concentrated than the coffee trade, processing is strongly concentrated on a regional level. The top three firms usually hold more than half of the local market, with players being either multinationals such as Unilever or national players, as well as niche and specialty players. The Danish tea market is almost completely dominated by these

foreign suppliers, apart from several smaller local distributors and premium tea distributors/retailers. Eurogran is also active on the Danish tea market.

- Cocoa processing companies can be divided into the grinding industry, producing cocoa paste, butter, and powder and secondly, secondary processing companies active in further processing of cocoa butter. The grinding industry is also concentrated with several multinationals dominating the market. No major processors are located in Denmark, and the sporadic grinding probably takes place in the small processing facilities of foreign and domestic chocolate producers in the country.

Final users

- The next step for the coffee and tea trade is final sales by retailers and caterers. In most countries, the retail sales generally account for 70-80% of the market. Because increasing retail concentration and buying power of retailers in the EU, and increasing private label sales, the coffee and tea industries are becoming further concentrated.
- The highly concentrated end-industries use processed cocoa products in chocolate, cocoa confectionery, beverages, and cosmetics (cocoa butter). Direct trade with these players will be difficult. According to industry sources, international companies dominate the Danish chocolate market.
- Consumers buy chocolate or cocoa beverages and confectionery directly through supermarkets and/or specialty chocolate shops, but these products are also consumed through the catering and institutional sector.

Organic

- Importers of organic coffee, tea and cocoa are often not specialized in these products, but in organic products in general, and they are mostly dedicated to conventional (e.g. not specialty) products. Trading houses of coffee, tea and cocoa, play a more limited role in the trade in organic products, but due to further organic market development this situation is changing. However, these are not located in Denmark. Most general organic traders are still located in The Netherlands and Germany, and form the most important trade channel for organic producers in developing countries.
- In Europe, certified coffee, tea and cocoa (i.e., organic, Fair-Trade, Utz Kapeh, Rainforest Alliance, etc.), is sold primarily through traditional channels (either mainstream retailers or organics retailers, but not specialty coffee and tea stores). Supermarkets have become more important, especially for coffee. Many EU retail chains offer private label organic and Fair-Trade products, or sell under Fair-Trade brands. Regarding tea, the focus is more on Fair-Trade (or fair trade-organic combinations) and the market for certified tea is more limited in scope and more limited to the UK and Germany. Furthermore, there are also organic food supermarkets and stores which sell organic coffee, tea and chocolate.
- Supermarkets hire the services of large-sized (not mega-) roasters, blenders and chocolate/ food product producers. Cocoa processors will usually be involved on request of chocolate manufacturers working under private or Fair-Trade label, or are part of integrated chocolate companies which have organic lines. Certain up-market tea and coffee processors also have their own organic brands. However, it is likely that a considerable part of Danish domestic organic needs is supplied from abroad.

Trends

Trends in trade structure have been described in the overall trade structure above, but the most important trends are:

- Continued concentration tendencies in the trade and processing of coffee, tea and cocoa.
- Due to increasing interest in organic and premium and single origin products there are also still, and perhaps even increasing, numbers of small processors on the EU market.
- Increasing sales and good expectations of organic and Fair-Trade coffee, tea and chocolate and cocoa products, and especially increasing sales through supermarkets, have made the organics market increasingly interesting for conventional players. Their entrance in the market will have a profound influence in this niche.

Useful sources

Coffee

- BKI Kaffee A/S, importer/roaster: <http://www.bki.dk>
- Eurogran A/S, major grinder and instant coffee producer, working under the Le Royal brand: (<http://www.eurogran.com>)
- Merrild Kaffe A/S, local brand of Douwe Egberts: (<http://www.merrild.dk>)
- Peter Larsens Kaffe A/S, coffee roaster and trader, tea distributor: (<http://www.peterlarsenskaffe.dk>)

Tea

- Fredsted The A/S, local distributor: (<http://www.fredsted-the.dk>)
- A.C. Perchs, tea distributor/premium tea retailer and internet shop: <http://www.perchs.dk/engelsk/omos.asp>

Cocoa

- Toms Group A/S, producer of chocolate: (<http://www.toms.dk/1>)
- Anthon Berg A/S, producer of chocolate: (<http://www.anthonberg.dk/1>)
- Malaco-Leaf, Scandinavia's second largest chocolate and confectionery company, accounting for 13% of the Scandinavian market. Production facilities in Sweden and Denmark: <http://www.malacoleaf.com>

On-line company databases for finding companies working in the coffee, tea and cocoa markets are:

- National associations for the appropriate products as mentioned in Section 6
- Food world: <http://www.thefoodworld.com> (an extensive online food business directory, with full EU coverage. Coffee, tea and cocoa are a separate product group.)
- Europages (only for cocoa): <http://www.europages.com> (online business directory, with full EU coverage. Cocoa and chocolate, and coffee and tea are two separate product groups)

Business-to-business sources include the following;

- Agronetwork.com: <http://www.agronetwork.com/global> (coffee and tea are included under food)
- Organic Trade Services: <http://www.organictrade.com> (also offering organic industry news. Cocoa products are included under food of the company database, coffee and tea under drinks)
- IngridNet: <http://www.ingridnet.com> (a marketing instrument for companies supplying ingredients to, among others, food industries. Cocoa and cocoa products, and tea and coffee products are two separate product groups)

For additional sources please refer to the EU survey.

4. Prices and margins

As the prices for coffee, tea and cocoa are world market prices, Danish prices should show limited deviation from those prices (except in case of transport costs for example). Interesting to note is that, except for cocoa, the products discussed are largely imported from other EU countries by Danish agents or directly by processors and retailers/distributors, and should therefore be somewhat higher than entry-point world market prices in the main trading/processing countries. This is reflected in import prices, which for coffee, but especially for tea (often imported in processed form) are comparatively high. Moreover, Denmark imports a comparatively large share of more expensive Arabica coffee.

Regarding actual prices of coffee, tea and cocoa (products), prices provided in the market survey covering the EU should be used as a reference point only. Prices for coffee, tea and cocoa are to a large degree dependent on origin, and buyer preferences regarding quality, order size etc. Therefore, actual prices are dependent on negotiation with partner companies, and expressed as differentials of future market prices in the case of coffee, or are dependent on developments at the auction level for tea. Owing to specific preferences in the kind of

products consumed, average import prices for especially tea will deviate between countries, as these products differ in price.

On the global market, there has been an overall increase in world coffee prices from their lows in 2004. Prices of coffee remain volatile, but reasonable prices are expected to continue. Premiums for organic coffee in the EU are between 15% and 25%, but are decreasing as conventional roasters and retailers enter the organic market. A premium for Fair-Trade certified coffee is paid above guaranteed minimum prices for conventional and organic coffee. Regarding premiums of other certification schemes, please refer to the survey covering the EU. On the retail level, Danish prices for coffee are among the lowest in the EU at a price of €4.60 per kilo. This is remarkable, as import prices are rather high. This likely to be due to the high consumption in other EU countries and the extremely fierce competition prevailing on this mass market. Often, roasters sell their products below production costs for extended periods.

Tea supply exceeds demand, and real prices have been declining since the 1980's. Tea prices show a wide variation, due to large differences in quality. Prices remain under pressure from over-supply. The price for organic tea strictly follows the market rules, but is very volatile. Due to increasing conversion of tea production to organic standards, prices have decreased substantially. Fair-Trade offers a differentiated premium depending on the type of tea.

World market 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. Prices for cocoa beans are volatile, but more stable compared to previous periods. Monthly prices now range between € 1,200 and € 1,400 per tonne. ICCO is expecting an annual increase in real prices of 2.2%. In 2007 more limited supply could push up prices. Organics prices fluctuate, but current premiums are high at around € 400 (25%). Fair-Trade offers an additional premium of € 120 above minimum prices.

Sources

- Important sources for price information are firstly the international commodity organisations: the International Coffee Organisation (<http://www.ico.org>), the International Tea Committee (<http://www.inttea.com>), and the International Cocoa Organisation (<http://www.icco.org>).
- Furthermore, publications such as Public Ledger, International Coffee Report, and World Tea Markets Monthly (<http://www.agra-net.com>) are of importance.
- Lastly, the future markets LIFFE (<http://www.liffe.com>) and New York Board of Trade (NYBT) (<http://www.csce.com/>) provide real-time future quotes.

5. Market access requirements

As a manufacturer in a developing country preparing to access Denmark, you should be aware of the market access requirements of your trading partners and the Danish government. 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.

Legislative requirements

National legislation in EU countries is compulsory for all products traded within the country concerned. 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 country of your interest in the category search, click on the search button and click on legislative requirements for an overview of all documents on legislation in your country of interest.

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 country of your interest 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 in your country of interest.

Packaging, marking and labelling

For general information on packaging, refer to the survey covering the EU. You can download information on requirements on packaging, marking and labelling in specific EU markets from <http://www.cbi.eu/marketinfo>.

Tariffs and quota

For information on import tariffs please refer to the survey covering the EU. The general VAT rate in Denmark is 25%. This standard rate also applies to foodstuffs.

Useful sources

- CBI Database <http://www.cbi.eu/marketinfo>
- Taric Homepage http://europa.eu.int/comm/taxation_customs/dds/en/tarhome.htm
- Directorate General XXI http://europa.eu.int/comm/taxation_customs/common/publications/info_docs/taxation/index_en.htm

6. Business practices

For general information on business practices exporters should refer to the CBI document 'From survey to success: guidelines for exporting (organic) coffee, tea and cocoa to the EU', CBI's Export Planner and CBI's Image Builder manual.

Selecting a suitable trading partner

Finding a trade partner in Denmark should not deviate from the general EU method. However, please note that Denmark plays a very limited role in the trade of the coffee, tea and cocoa, and imports are to a considerable extent conducted by agents and processors, directly from other EU countries or are processed products imported from other EU countries by retailers, and in the case of cocoa, by chocolate and food manufacturers. Coffee is more often imported directly from developing countries. Buyers and suppliers often find each other at trade fairs. The BioFach trade fair is of particular importance for organic coffee, tea and cocoa, whereas Anuga, SIAL, FI Europe are of principal importance for conventional products. Moreover, for coffee and tea, the Tea and Coffee World Cup in Geneva is of importance. Participating in or visiting trade fairs is also important for price benchmarking, and making necessary product adaptations. Establishing contact through trade directories, or through directly contacting interesting companies you encounter, can also be useful. Concerning conventional products, company visits and sending samples, including elaborate technical data, are indicated as a method appreciated by importers. If positive responses are obtained, these efforts can be followed by country visit invitations. Brokers also fulfil an important function in market linking, while websites offer another opportunity to find trade partners. The first step after finding a trade partner, which is often requested by the buyer, is to give a quotation and sometimes packaging details.

After obtaining contacts, evaluating potential trade partners should be done according to criteria such as information quality, the kind of trade relation the partner is interested in, the position of the partner and his financial status and credibility.

Reaching an agreement with your trade partner

As in the rest of Europe, both general and specific offers are common in Denmark. Therefore, common practices as detailed in the above-mentioned CBI documents apply. When

establishing an overseas price for your products, factors involved are competition, costs such as production, packaging, transportation and handling, promotion and selling expenses, the demand for your product or service and the maximum price which the market is willing to pay regarding origin, quality and order size. How you price your product is worth a good deal of thought and effort since it directly affects your ability to make a profit.

The most commonly used terms of payment in the coffee, tea and cocoa trade are the *Letter of Credit (L/C)* and *Cash Against Documents (CAD)*. When using L/C, risks are divided between buyer and supplier. The supplier only receives payment after the goods have been consigned to a carrier and the buyer only receives the goods after payment. CAD carries the greatest risk for the exporter as the exporter will only receive payment when the buyer picks up the goods. In the case of co-operation agreements with overseas companies, payment terms could also include periodical payments. Once trading relationships are established, clean payments are often used.

Export terms of sale determine which costs are covered in the price of the cargo, at which point ownership transfers to the buyer and at which point responsibility for the cargo is transferred. The most commonly used terms of sale are FOB (Free on Board), and less often CFR (Cost and Freight) and CIF (Cost, Insurance, Freight). While coffee is generally sold FOB, some roasters prefer an ex-dock basis, and small roasters prefer to buy small lots on a delivered-in-store or ex-store basis. However, supplier and importer are free to negotiate and agree as to whether quotations and subsequent trade are based on CIF or FOB prices. Special attention should also be given to contract fulfilment in reference to contingencies which might occur while the sale order is being processed, shipped etc. Coffee trade is usually conducted according to European Coffee Federation contracts. Likewise, for cocoa standard practices have been set out by the main international cocoa trade associations, which in the EU is the Federation of Cocoa Commerce Ltd (FCC).

Cultural differences

Knowledge of Danish business culture is one of the main keys to a durable relationship. In spite of all modern communication tools, the personal relationship with a trading partner often decides a durable co-operation. Some general remarks on business culture in Denmark are described below.

- Danish are rather reserved in communication, tone of voice and body language and hardly engage in physical contact except for shaking hands when meeting. They should set the stage for how to address each other.
- Danish are people of their word. Once an agreement has been signed, you can be certain that the project will move forward.
- Danish society is very equalizing for women and men. Danish companies are not very hierarchal, so that your business contacts are likely to have considerable decision-making freedom.
- Be matter of fact, avoid excessive gift giving, and do not spend too much time on small-talk.
- Make appointments and always be punctual.
- Danish ascribe much value to facts and figures.
- Be careful with culture-related jokes unless they are self-depreciating.
- Dress conservatively. When your business partner is more relaxed, you can follow.
- Business is not often discussed during dinners.

Internet provides many sources on business practices and culture, such as <http://www.cba.uni.edu/buscomm/InternationalBusComm/world/europe/scandinavia/scandinavia.html> and <http://www.kwintessential.co.uk/resources/global-etiquette/denmark-country-profile.html>. Please keep in mind that the above concerns general remarks. Therefore, when conducting business, use your intuition and an understanding attitude.

Sales promotion

Common practices of trade promotion in Denmark should not differ considerably from other European countries. However, please keep in mind that the trade of conventional cocoa and cocoa products, tea and coffee are extremely concentrated, with different companies dominating the different product groups across and within national markets. Denmark has a very limited number of traders and processors, with imports mainly taking place through other EU countries, where processing has also often already been conducted. Most inhabitants of Denmark speak English (and sometimes German), especially when they are in the trade business. In general, good care should be taken of existing contacts, by using prompt, constant and reliable communication. Letters of inquiry should always be replied to. An essential tool used in sales is a detailed and up-to-date customer database.

Please refer to CBI's *Export planner* and *Your image builder* for more information on this subject.

Assistance with market entry can also be sought through local business support organisations, import promotion organisations such as CBI and branch organisations focusing on coffee, tea and cocoa, or the (organic) food sector. Interesting *trade associations* in Denmark are:

- Foodstuff Industries / Foedevareindustrien: <http://www.fi.dj.dk>
- Chokolade – og Konfektoreindustrien / Chocolate and Confectionery Industry (part of the above): Tel +33 773377 (please refer to Mrs. Gitte Hestehave)
- The Danish Association for Coffee and Tea Importers: ng@adv-nyhavn.dk
- <http://www.organic-denmark.com/indexff23.html> is also of interest

Trade fairs offer for companies from developing countries the opportunity to establish contacts, promote their products and conduct EU market orientation. Major fairs of EU-wide significance are mentioned in the CBI document 'From survey to success: guidelines for exporting coffee, tea and cocoa to the EU'. *Trade fairs* of interest in Denmark are:

- Foodexpo (Foodstuffs Fair): <http://www.foodexpo.dk/>
- Please also refer to the CBI document 'From survey to success: guidelines for exporting coffee, tea and cocoa to the EU'.

Trade press can function as a means for gaining insight into market developments and competition, but can also have a promotional function. This concerns finding potentially interesting companies, as well as promotion of your own activities and products. Major trade press of EU-wide significance is mentioned in the CBI document 'From survey to success: guidelines for exporting coffee, tea and cocoa to the EU'. *Trade press* of interest in Denmark is:

- Levnedsmiddel Avisen: <http://www.levnedsmiddelavisen.dk>
- <http://www.techmedia.dk/default.asp?Action=Details&Item=1489>

This survey was compiled for CBI by ProFound – Advisers in Development
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