CBI MARKET SURVEY

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

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments in the (organic) coffee, tea and cocoa market in Slovakia. The information is complementary to the information provided in the CBI market survey 'The (organic) coffee, tea and cocoa market in the EU', which covers the EU 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

Consumption

Due to the interesting perspectives offered 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. However, in Slovakia, the organic market is expected to be very limited in size.

Coffee

- Slovakia is a medium-sized to small consumer of coffee responsible for 1% of total EU consumption (ICO, 2006).
- ICO statistics show a fairly stable increase of total consumption over the period 2001-2005 (+4.6%), with a strong increase between 2004 and 2005 amounting to 368 (60 kg) thousand bags in 2005.
- As for total consumption, per capita consumption shows a fairly stable increase between 2001 and 2005 (+ 4.5%) with a strong increase between 2004 and 2005 amounting to 4.1 kg in 2005.

Tea

- Slovakia is a rather small tea consumer, with an EU market share of 0.4% (ITC, 2006).
- The tea market in Slovakia is growing quite fast by an average annual increase of 7.6% over the period 2001-2005, amounting to 870 tonnes in 2005.
- Regarding tea, fruit/herbal tea dominated in terms of value share in 2005, followed by black standard tea. In contrast, black standard tea had the highest volume share, followed by fruit/herbal tea.

Cocoa

- Slovakia is a small cocoa consumer, with an EU market share of 1% (ICCO, 2006).
- Grindings show a small annual average increase of 0.5% between 2001 and 2006, amounting to 10 thousand tonnes in 2005/2006.

Production

- Because of climatic conditions, no production of coffee, tea and cocoa beans takes place within the EU. Slovakia is fully dependent on imports of these products.
- Slovakia has a number of grinders, processing cocoa beans from developing countries. Tea and coffee processing predominately takes place in the EU, and Slovakia itself has several players.

Trends

- Green tea consumption is increasing considerably in Slovakia, at the expense of black tea consumption.
- Instant coffee consumption is becoming increasingly popular at the expense of fresh coffee beans, also visible in trade statistics.
- Over the past couple of years, the Slovak food-service sector experienced a great deal of modernisation and development, reflected in the lively café scene and modern bars. Coffee/bars benefited from the introduction of new concepts such as specialist coffee shops. Although small in number, specialist coffee shops were the most dynamic cafés/bars sub-sector during 1999-2003 (Euromonitor, 2007).
- Regional differences still play an important role in Slovak consumption patterns. This applies particularly in coffee consumption, where discount products and private label enjoy increasing popularity in weaker regions. The shift from coffee beans to ground coffee and especially to instant coffee is more visible in the west of Slovakia, particularly in Bratislava. According to Euromonitor, improvement in the country's economic situation and increased living standards are expected to compensate for regional differences in the near future.

Opportunities and threats

- Following a painful period of economic reform, Slovakia enjoyed growing economic prosperity and in 2004 became the regional leader in terms of GDP growth. The rising spending power of Slovak consumers, together with the growing attractiveness of Slovakia as a tourist destination, are, according to Euromonitor, expected to provide a strong base for further growth and development in food service in Slovakia. This could also offer opportunities for developing country producers of coffee, tea and cocoa.

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 or cocoa.html

→ For more useful sources on consumption and production of coffee, tea and cocoa, please refer to the EU survey, Chapters 4 and 5.

2. Trade: imports and exports

Imports

- Slovakia is a small importer of coffee, taking the 21st place in the EU and accounting for 0.4% of total EU imports. Imports amounted to € 20 million / 12 thousand tonnes in 2005, signifying an annual decrease of 1.9% in value and of 4.7% in volume between 2001 and 2005.
- Slovakia imports more roasted coffee. In 2005, about € 12 million consisted of roasted coffee imports and € 7.6 million of unroasted coffee imports. Therefore, Slovakia almost exclusively relies on EU countries for coffee imports.
- Slovakia is among the smallest importers of tea in the EU. Imports increased slightly by 2% annually, totalling € 2.1 million / 544 tonnes in 2005. The picture for the different tea varieties differs. Black tea imports decreased by 5% annually between 2001 and 2005, turning Slovakia into the second smallest importer of black tea in the EU, with an import share of 0.2%. On the other hand, in the same period green tea imports increased by 19%

annually, totalling € 860 thousand / 168 tonnes in 2005, representing an EU market share of 0.8%.
- The Czech Republic accounts for an import market share of 41% into Slovakia and imports from the Czech Republic increased considerably by 67% annually. Developing countries account for a market share of 10%, which is low. Furthermore, imports have been decreasing by 29% annually, mainly because of considerably decreasing imports from India.
- Slovakia is among the smallest importers of cocoa products. It takes a medium position for cocoa beans, although actual imports are extremely small in EU perspective. Imports of beans amounted to € 14 million / 9.6 thousand tonnes, and of powder to € 2.3 million / 1.5 thousand tonnes. Imports of paste are negligible.
- Whereas Slovakia jumped from having no imports of beans to imports worth almost € 14 million, imports of powder remained more or less stable.
- Imports of beans are almost completely supplied by The Netherlands and Germany, while a range of EU countries is of importance for powder.

Exports
- Slovakia's exports of coffee are limited. In 2005 exports amounted to € 3.6 million.
- Slovakia's exports of tea are negligible and decreasing. Exports amounted to € 660 thousand / 144 tonnes in 2005.
- Slovakia does not export cocoa beans or cocoa paste. Cocoa powder exports amount to € 1.0 million / 0.3 thousand tonnes.

Opportunities and threats
- Slovakia is not an interesting country for developing country producers of coffee, tea and cocoa, as imports values and volumes are really small in EU perspective, also because developing countries account for a really small and decreasing import market share.

Useful sources
- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int/
- Eurostat – official statistical office of the EU - http://epp.eurostat.cec.eu.int

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.
- 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 organics traders, mostly located in Germany and The Netherlands are, probably, the most important trade channel.
- Key players in the coffee, tea and cocoa market in Slovakia are:
- Herbex, producer and distributor of herbal teas: http://www.herbex.sk/mapa.htm
- B.M. Kavoviny, producer of coffee and tea http://www.kavoviny.sk/
- Caffé, s.r.o., distributors of Caffe Bonomi, an Italian coffee brand popular in Slovakia (Dunajská Lužná, Tel: (02)45980770, mailto: caffe@caffebonomi.sk)
- Chocoland, spol. s r.o., cocoa manufactuers: Tel ((02)63813488 , mailto: chocoland@chocoland.sk
- Foodbrocker s.r.o., food brokers based in Bratislava, Tel.: (02)53419601, e-mail: office@im-ex.sk
- *On-line company databases* for finding companies working in the coffee, tea and cocoa markets are: Food world: http://www.thefoodworld.com and Europages: http://www.europages.com.

- *Business-to-business sources* include Agronetwork: http://www.agronetwork.com/global Organic Trade Services: http://www.organicts.com and IngridNet: http://www.ingridnet.com
- For additional sources please refer to the EU survey.

4. Prices

- As the prices for coffee, tea and cocoa are world market prices, Slovakian prices should show limited deviation from those prices (except in case of extra transport/re-export costs for example). However, prices of coffee, tea and cocoa (products) provided in the market survey covering the EU should be used as a reference point only as prices are to a large degree dependent on origin, buyer preferences regarding quality, order size etc. established during contract negotiations.
- Prices for coffee, tea and cocoa are volatile, but where for cocoa and coffee a (more) favourable market price is predicted, tea prices have declined in real terms and the outlook is not as favourable.
- Retail prices for coffee in Slovakia are among the lowest of the EU, at € 4.90 per kilo in 2005 (ICO, 2006).
- Premiums for organic coffee, tea and cocoa beans and cocoa products are still well above the conventional price. However, for coffee and tea they have been decreasing due to increasing supply. Furthermore, for tea, with changes in tea consumption and trends, organic production is not always compatible with current demand.
- Fair Trade, with additional premiums above minimum prices for conventional and organic coffee, tea and cocoa also plays a role, particularly for coffee.
- Important sources for price information are firstly the international commodity organisations such as 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.liffecommodities.com) and New York Board of Trade (NYBT) (http://www.csce.com/) provide real-time future quotes.

5. Market access requirements

- Manufacturers in developing countries should be aware of the market access requirements of their trading partners and the country 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.
- For more information go to 'Search CBI database' at http://www.cbi.eu/marketinfo
- Information on import tariffs, please refer to the Taric Homepage at http://europa.eu.int/comm/taxation_customs/dds/en/tarhome.htm
- For more information on VAT rates please refer to the Directorate General XXI at http://europa.eu.int/comm/taxation_customs/common/publications/info_docs/taxation/index_en.htm

6. Business practices

For information on business practices in Slovakia, please refer to the following sources.

Trade Associations
- Food Chamber of Slovakia / Potravinárska Komora Slovenska (PKS): http://www.potravinari.sk/page285en.html

Trade press

- No trade press of interest was encountered in Slovakia

Trade fairs

- No trade fairs of interest were encountered in Slovakia

This survey was compiled for CBI by ProFound – Advisers in Development
in collaboration with Mr. Joost Pierrot.