

CBI MARKET SURVEY

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

Publication date: May 2007

Report summary

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

- Spain is a big coffee consumer. Although consumption has showed a slight annual decline, the Spanish market remains of great interest.
- Tea consumption is very limited, and has only recently shown a small increase. Spain is not an interesting market for tea exporters.
- Spain is not among the EU's big grinding countries, but grindings are quite significant and, moreover, have shown a considerable increase.
- Spain seems an interesting market for developing country coffee producers, since it has increasing and large imports and an above-average share of imports coming from developing countries. Spain plays a limited role as a coffee trader on the EU level.
- Spain is not an interesting market for tea producers, due to its very limited imports.
- Although developing countries play a significant role for cocoa beans and cocoa paste, their share of Spanish imports is decreasing. Interesting to note is that Spain, with a cost driven cocoa and chocolate market, predominately imports low to normal grade cocoa and very little higher quality cocoa. Spain plays a limited role as a re-exporter of cocoa products.

This survey provides exporters of (organic) coffee, tea and cocoa with sector-specific market information related to gaining access to Spain. By focusing on a specific country, this 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.

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 manufactures 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**

- Spain is the fourth biggest coffee consumer in the EU, with a market share of 8.0% (ICO, 2006).
- Total coffee consumption in Spain is quite stable, with an annual average increase of 0.8% between 2001 and 2005 amounting to 2,959 thousand bags in 2005.

- Per capita consumption shows a slight decline between 2001 and 2005 (-0.4%) amounting to 4.1 kg in 2005.
- Around 15% of total coffee consumption is consumed as soluble coffee (Pangea Consultores, 2003).

Tea

- Spain is a small tea consumer, with a market share of 0.5% (ITC, 2005).
- Total tea consumption was somewhat erratic over the period 2001-2005 and shows an annual average decrease of 1.4% amounting to 1,230 thousand tonnes in 2005.
- In the period 2003-2005, on the other hand, a slight increase in consumption can be noticed; partly due to health concerns, Spanish consumers are shifting their consumption from coffee to tea.

Cocoa

- Spain is a medium to big cocoa user, with an EU market share of 6.0% (Icco, 2006).
- Total cocoa beans grindings show a quite strong annual average increase of 8.8% amounting to 78.0 thousand tonnes in 2005/2006, making Spain a small to medium-sized producer in an EU perspective.
- Per capita consumption of chocolate confectionery in Spain is the smallest in the EU, at 1.6 kg in 2004 (Coabisco, 2007). Moreover, according to industry sources, the Spanish chocolate market is very price driven, leading to a focus by the cocoa processing and chocolate manufacturing on lower grade and conventional products, but little on premium products.

Organic and Fair-Trade

- The latest information available on the Spanish organic market is for 2003. In that year the Spanish market amounted to € 144 million, with a per capita annual spending of € 4 (FiBL, the World of Organic Agriculture 2005).
- There is limited demand for organic and premium coffee in Spain (Pangea Consultores, 2003). No information is available on the organic markets for tea and cocoa, but these are likely to be very limited. According to industry sources, the Spanish processors have little interest in organic cocoa up till now, due to limited interest expressed by Spanish end-users.

Market segmentation

- Market segmentation of coffee, tea and cocoa in Spain 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. Spain is dependent on imports of these products from other countries.
- Spain is, however, an important grinder of cocoa beans imported from developing countries. These companies are mentioned under Section 3.
- Tea and coffee processing predominately takes place in the EU, and Spain itself has several coffee roasters. Tea blending is likely to be very limited.

Trends

- Private labels are increasing in importance in the brand-dominated Spanish market for coffee and especially tea. This expansion has mainly been caused by the increasing range of products available under retailer private labels (Euromonitor, 2006).
- There is a growing popularity of tea among the Spanish due, in part, to increasing health concerns.
- There is a growing number of trendy coffee shops, as a reaction to hectic lifestyles and the Spanish population's need for convenience.

Opportunities and threats

- Because of health considerations, Spanish consumers are switching from drinking coffee to drinking tea.
- Unlike many other EU member countries, organic products do not yet play an important role in the Spanish market for 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](http://www.fairtrade.net/tea.html) or [cocoa.html](http://www.fairtrade.net/cocoa.html)
- Furthermore, national associations, mentioned under Section 6, also offer valuable information.

→ 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

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

Product	2001 € mln	2003 € mln	2005 € mln	Leading suppliers in 2005 Share in %	Share (%)
Coffee	270	245	330	Intra-EU: Germany (10.9), Italy (3.9), Portugal (3.8), Belgium (1.1) Extra-EU ex. DC: - DC*: Brazil (22.7), Vietnam (20.0), Colombia (8.7), Uganda (5.2), Côte d'Ivoire (4.1), India (3.0)	21.4 0.2 78.4
Unroasted coffee	230	203	287	Intra-EU: Germany (7.6), Belgium (1.2) Extra-EU ex. DC: - DC*: Brazil (26.0), Vietnam (23.0), Colombia (9.9), Uganda (6.0), Côte d'Ivoire (4.7), India (3.5), Nicaragua (3.5)	9.7 0.2 90.1
Roasted coffee	40	41	43	Intra-EU: Germany (32.5), Italy (29.8), Portugal (28.9), United Kingdom (3.0), France (2.6) Extra-EU ex. DC: - DC*: Colombia 0.5),	98.9 0.1 1.0
Tea	12	11	11	Intra-EU: Germany (32.6), United Kingdom (16.4), France (14.1), Hungary (13.1), The Netherlands (6.8), Belgium (6.1) Extra-EU ex. DC: Japan (0.4) DC*: China (3.4), Sri Lanka (0.7)	93.1 0.6 6.3
Black tea	7	6	7	Intra-EU: Germany (34.6), United Kingdom (21.8), Hungary (19.8), Belgium (6.9), France 4.6), The Netherlands (4.3) Extra-EU ex. DC: - DC*: China (2.2), Argentina (1.1)	92.9 0.2 6.9
Green tea	4	5	4	Intra-EU: Germany (29.6), France (28.7), The Netherlands (10.5), United Kingdom (8.2), Italy (7.5) Extra-EU ex. DC: Japan 1.0), DC*: China 5.2),	93.4 1.2 5.4
Cocoa beans	56	115	98	Intra-EU: The Netherlands (3.8), France (3.4), Belgium (2.9)	11.3

				Extra-EU ex. DC: - Côte d'Ivoire (43.3), Ghana (12.8), Cameroon (9.6), Nigeria (8.7), Togo (4.6)	0.0 88.7
Cocoa paste	40	77	40	Intra-EU: The Netherlands (5.1), Germany (2.0), United Kingdom (0.7) Extra-EU ex. DC: - DC*: Côte d'Ivoire (33.1), Indonesia (25.7), Ghana (12.2), Nigeria (9.9), Malaysia (7.4)	8.6 0.1 91.3
Cocoa powder	6	11	9	Intra-EU: The Netherlands (37.9), Germany (25.7), France (24.7), Belgium (4.0), Italy (2.2) Extra-EU ex. DC: - DC*: Malaysia (1.9), Brazil (1.3), Algeria (0.3)	96.2 0.1 3.7

Source: Eurostat (2004)

*Developing Countries

Coffee

Spain is the fourth largest EU importer of coffee, accounting for 8.2% of EU coffee imports. Imports mainly consist of unroasted coffee. Spain only accounts for 3.3% of EU roasted coffee imports. Total coffee import value increased by 5.1% annually, amounting to € 330 million / 252 thousand tonnes.

Between 2001 and 2005, imports from developing countries increased by 5% annually, amounting to an import share of 78.5% in 2005, worth € 259 million / 224 thousand tonnes. This share is higher than the EU average. The leading developing country suppliers are Brazil (23%), from which imports also increased by 10% annually and Vietnam (20%) from which imports even increased by 14% annually. Few countries faced losses in their exports to Spain, though the most noteworthy were Uganda (-4% annually) holding a market share of 5.2%, Portugal (-7% annually) with a market share of 3.8% and India (-6% annually) with a market share of 3.0% in 2005.

Organic

According to ICO, Spain is a relatively small importer of organic coffee, with import volume amounting to 327 tonnes in 2005. The leading developing country supplier was Ethiopia, accounting for 44%, followed by Nicaragua (30%) and Colombia (25%).

Tea

Despite the large population number and the absence of local tea production, Spain's import volume of tea is negligible, reflecting very limited domestic consumption. Between 2001 and 2005, tea imports decreased slightly by 1% annually, amounting to €11 million / 2.9 thousand tonnes, 1.6% of EU tea imports. Developing countries' market share is small; only 6.3%. However, their share in imports increased by 28% between 2001 and 2005, mainly through increased imports from China (+36% annually), India (+31% annually) and Vietnam (+62%). The main tea supplier is Germany, with a market share of 33%, followed at a distance by the UK, France and Hungary.

Cocoa

Spain takes between the 6th and 8th place among EU countries regarding imports of cocoa products. However, compared to the major importers Spain's imports are limited, accounting for less than 5% of imports for cocoa powder and beans, but 9% for paste. Imports in value show a positive development for beans but are more neutral for the other products. However, as in other EU countries, imports in value peaked in 2003, due to high prices paid for cocoa products, and somewhat falling back later.

Between 2001 and 2005, imports of cocoa beans increased by 15% annually in value and by 11% in volume. This amounted to € 98 million/ 73 thousand tonnes. However, an increasing proportion of beans is sourced in other EU countries, mainly concerning re-exports from The Netherlands and France. Among major supplying countries, Côte d'Ivoire is showing far lower

growth than other top suppliers. Paste is relatively more often imported from developing countries, compared to the EU average. However, while overall imports were the same in 2001 as in 2005, supply by EU countries grew by 14% and supply by developing countries decreased slightly. Especially The Netherlands is increasing in importance. In 2005, imports of paste amounted to € 40 million / 43 thousand tonnes. Spain's imports of powder amounted to € 8.7 million / 6.0 thousand tonnes in 2005. This signifies an annual increase of 8% in value and 7% in volume. Little powder is imported from developing countries, but this is slowly increasing. Still, The Netherlands, Germany and France remain the dominant suppliers.

Exports

Coffee

Spain is a rather small exporter of coffee, accounting for 3.2% of total EU exports, totalling € 73 million / 32 thousand tonnes. Exports increased by 11% annually between 2001 and 2005. The three main export destinations are France, Portugal and the UK, together accounting for more than half of Spanish exports of coffee.

Tea

As expected based on the import data, Spain is also a small exporter of tea, accounting for 0.4% of EU tea exports. Exports increased by 8.3% annually between 2001 and 2005, totalling € 1.8 million / 350 tonnes. One third of tea exports is directed to Hungary, followed at a distance by Portugal and Morocco.

Cocoa

Spain's role in the export of cocoa beans is negligible. Spain is also a small exporter of cocoa paste, with exports worth € 8.0 million in 2005, even though, between 2001 and 2005, its exports of paste increased by almost 50% annually. Spain plays a more important role for cocoa powder, accounting for 7% of total EU exports, and taking a 4th place among EU countries. Exports of powder remained mostly stable between 2001 and 2005. Major destination countries for cocoa products are other European countries and the USA.

Opportunities and threats

Spain seems an interesting market for developing country coffee producers who want to target a specific EU country, because of the following reasons:

- Spain is a large coffee consumer with a stable market;
- Spain is large importer of coffee;
- Imports increased between 2001 and 2005;
- Developing countries hold an above-EU-average import market share and this share increased during the period revised.
- However, Spain plays a very limited role as a trader on the EU level.

Spain is not an interesting market for tea producers as the Spaniards hardly consume tea nor do they play a role in re-exports of tea products across the EU.

Although developing countries play a significant role for cocoa beans and cocoa paste, their share of Spanish imports is decreasing. Moreover, although developing country imports of cocoa powder are increasing, the proportion of powder originating in those countries remains very limited. Interesting to note is also that Spain, with its cost-driven cocoa and chocolate market, predominately imports low to normal grade cocoa and very little higher quality cocoa. Spain also appears to have a limited role as a re-exporter of cocoa products.

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

Conventional

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. For more information, please refer to the CBI survey covering the EU market for coffee, tea and cocoa. Please keep in mind that the importance of the tea trade is limited in Spain.

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. Agents representing importing companies in developing countries can play an important role as well.
- 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. Prospects remain for smaller specialised traders which 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. Spain has a considerable number of coffee importers and distributors, 18 of which are members of the Spanish Coffee Federation. Nestlé, as well as Sara Lee/DE are represented among them, as well as a large number of domestic players.
- Vertical integration between tea blenders and traders is considerable. The Spanish market is very small considering the size of the country, and tea is most likely imported mainly by retailers and distributors in processed form.
- The largest cocoa processors also have their own import departments, but trading companies play a large role in processor sourcing practices. Traders include Herederos de Gaspar Perez. However, the Spanish market and its imports seem to be largely conducted by processing companies.

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, and in Spain, with strong regional roasters, at 65% it is comparatively modest compared to other EU countries. Even though many roasters disappeared, Spain has many smaller roasters producing under own brands or private labels. The total number of roasters is around 300 (Pangea Consultores, 2003). 116 coffee processors are members of the Spanish Coffee Federation, which also includes international players. All international

players are active on the Spanish market, but, while producing in Spain, they continue to depend on their mother company's purchasing departments. Sara Lee, the market leader with a share of 26%, works under the brand Marcilla, Nestlé with a market share of 23% works under the brands Nescafé and Bonka; Kraft, with a market share of 19%, works under the brand Saimaza (Pangea Consultores, 2003). Furthermore, of the five soluble coffee players on the market, two players Productos Solubles and Seda Solubles are local players.

- Blending and packing of tea takes place in the EU. Although less concentrated than the coffee trade, processing is strongly concentrated on a regional level. The Spanish tea blending sector is likely to be very limited, with imports of processed tea dominating.
- 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. Spain has a considerable cocoa processing sector with important companies such as Indcresa, Moner and Llacuna/Nederland SA and Natra Cocoa.

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, however, in Spain coffee consumption is probably for more than 50% consumed outside home. Because of increasing retail concentration and buying power of retailers in the EU, and increasing private label sales, the coffee and tea industry 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. Spain has a considerable chocolate, confectionery and beverage sector.
- Consumers either 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 thanks to further organic market development this situation is changing. Several coffee importers in Spain already import organic coffee (Pangea Consultores, 2003). Most traders are still located in The Netherlands and Germany, and form the most important trade channel for organics 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 organic retailers, but not specialty coffee and tea stores). In Spain, the organics market is showing very strong growth, but remains very small considering the size of the country. Especially the organic tea market in Spain is likely to be very small. Although supermarkets have become more important in other countries, combining Fair-Trade and organic labelling in their private label coffee and to a lesser extent tea and cocoa, considering the limited size and level of development of the Spanish organic market, organic food stores are likely to continue to be the principal channel for organic products. These are mostly located in the larger cities (Pangea Consultores 2003)
- 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-scale tea and coffee processors also have their own organic brands.

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 for organic and Fair-Trade coffee, tea and chocolate and cocoa products, and especially increasing sales through supermarkets, has made the organics market increasingly interesting for conventional players.

Useful sources

Coffee

- Consorcio Café S.A., one of Spain's principal coffee importers: <http://www.consorciocafe.es>
- Orocafe, large importer of green coffee: <http://www.orocafe.com>
- Productos Del Café S.A, one of the major roasters, part of Nestlé: <http://www.productosdelcafe.com>
- Segafredo Zanetti Espana, premium coffee brand: <http://www.segafredo.es>
- Tirma S.A., trader and producer of coffee, cocoa products and chocolate: <http://www.tirma.com>
- Torrelsa, important roaster: <http://www.torrelsa.com>
- Productos Solubles, independent soluble coffee manufacturer: http://empleo.universia.es/html/empresa/PRODUCTOS_SOLUBLES_gefhbb.html
- Seda Solubles, largest Spanish independent soluble coffee manufacturers: <http://www.sedasolubles.com>
- Alternativa 3, principal organic coffee importer, has its own roasting plant, with the brand (Altercafé): <http://www.alternativa3.com>
- Intermon, Fair-Trade coffee <http://www.intermonoxfam.org>
- Ideas Espanica, Fair-Trade organic coffee: <http://www.nodo50.org/espanica/colabora.html>
- Mercadeco, importer and distributor Fair-Trade but also organic processed coffee, cocoa and chocolate: <http://www.mercadeco.es/>

Tea

No companies of importance were encountered in the Spanish tea sector

Cocoa

- Herederos Gaspar Perez, cocoa trading company: Tel: +34 965 890 573
- Indcresa, largest grinder, owned by Armajaro from the UK (<http://www.indcresa.com>)
- Moner and Llacuna/Nederland SA: Tel: +34-936585411
- Natra Cocoa, principal cocoa processor: <http://www.natracacao.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 separate product groups.)
- Europages: <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.organicts.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, Spanish prices should show limited deviation from those prices (except in case of transport costs for example). Spain imports very limited quantities of tea, and hardly plays a role in the trade and processing thereof. Hence, import prices are rather high as the country imports through other EU countries, also imports are more often processed products. Regarding coffee and cocoa, Spain has a more important trading function as a port of entry, and prices should be much more reflective of world market prices for green coffee and cocoa. This is reflected in low import prices for these products. Moreover, in no other EU country is the percentage of cheaper Robusta consumption so high (at 55%), thereby further driving down prices.

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. Due 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.

Exporters need to have detailed production costs/volume price breaks for the products they supply. This will give them an important reference point for any negotiations with buyers.

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 organics market. A premium for Fair-Trade certified coffee is paid above guaranteed minimum prices for conventional and organic coffee. For premiums of other certification schemes, please refer to the survey covering the EU. Spanish retail prices are comparable to the EU average, at € 5.70. Altercafé, the principal organic brand was sold for €4.70 per kilo at the wholesale level in 2003 (Pangea Consultores, 2003). No information is available on retail prices for organics.

Tea supply exceeds demand, and real prices have been declining since the 1980s. 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.liffecommodities.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 Spain, you should be aware of the market access requirements of your trading partners and the Spanish 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 Spain is 16% as of February 2006. However, the reduced rate of 7% or the super reduced rate of 4% 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 Spain should not deviate from the general EU method. Due to its large size, and considerable (direct) imports of cocoa and coffee, all relevant trade channels are present in Spain, including traders, processing industries and a significant manufacturing sector using cocoa. This is not the case for tea, which is mostly sourced in other EU 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 Spain. 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 have been divided between buyer and supplier. The supplier only receives payment after the goods are 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 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 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

A profound knowledge of the Spanish 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 key aspects are listed below.

- Spanish culture places a strong emphasis on personal pride. Therefore, causing loss of face through criticism or embarrassment should be avoided at all costs.
- Avoidance of uncertainty is a vital element of Spanish culture linked to the cautious approach the Spanish take towards new ideas. Spanish business managers generally prefer to have precise answers to questions and give precise instructions, in order to reduce conflict and any uncertainty.

- Hierarchy and position are extremely significant in Spanish business culture. The authority to make decisions rests with the individual in highest authority.
- Spanish business culture advocates subordinate initiative, so that problems are dealt with at lower levels first, before approaching superiors for assistance.
- An essential part of conducting business in Spain lies in establishing personal contacts. Generally speaking, the Spanish prefer to do business with those with whom they are familiar, so that obtaining personal contacts enables the negotiation process to advance more swiftly and successfully.
- The decision-making process in Spain is usually unhurried and can be a gradual one.
- The Spanish appreciate a more modest approach to business negotiations.
- Remain patient in all dealings with your Spanish counterparts. However, the '*mañana*', i.e. "tomorrow" stereotype is not something often encountered in northern regions.
- Use basic titles of courtesy, Mr, Mrs, or Miss, followed by the surname, and professional titles, such as Dr, where known, particularly when in contact with older counterparts or those in the south of Spain. Also pay attention to surnames.
- Punctuality is expected of foreign visitors; however, you may sometimes find your Spanish counterparts arrive up to 30 minutes late.

Internet provides many sources on business practices and culture, such as <http://www.communicaid.com/spanish-business-culture.asp> and <http://www.kwintessential.co.uk/resources/global-etiquette/spain-country-profile.html>. Please keep in mind that these pages only give general remarks. Therefore, when conducting business use your intuition and an understanding attitude.

Sales promotion

Common practices of trade promotion in Spain 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. An increasing number of Spanish speak English, especially when they are in the trade business. However, many do not and knowledge of Spanish is greatly appreciated. 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 Spain are:

- Spanish federation of Food and Beverage Industries / Federación Española de Industrias de la Alimentación y Bebidas: <http://www.fiab.es>
- La Federación Española del Café / Spanish Coffee Federation (FEC): <http://www.federacioncafe.com/>
- Asociación de la Industria del Cacao / Association of Cocoa Industry (AIC): tel: +34 (0) 961597300
- Asociación Española de Asociaciones del Dulce (Asociación Española de Fabricantes de Chocolate y Derivados del Cacao) (FEAD-CHOCAL: <http://www.fead.es>

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 Spain is: On-line information tool on the Spanish Food Industry: <http://www.marketuno.com/>

Trade fairs offer 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 Spain are:

- Alimentaria Barcelona is an international trade fair for the food industry:
<http://www.alimentaria-bcn.com>
- Alimentaria Castilla y León: <http://www.feriavalladolid.com/alimentaria/en/index.php>
- Biocultura, an organic trade fair annually held in November in Madrid and Barcelona
<http://www.biocultura.org/>
- Ecoviure, an organic trade fair annually held in November in Manresa
<http://www.ecoviure.cat/>
- Please also refer to the CBI document 'From survey to success: guidelines for exporting coffee, tea and cocoa to the EU'.

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