

CBI MARKET SURVEY

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

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 Sweden:

- Sweden is a fairly big coffee consumer and, although recent developments were not positive, renewed growth is expected in the future.
- Tea consumption is relatively more limited and has a less favourable forecast. Although herbal, green and fruit teas are performing better, black tea remains by far the most important.
- Sweden plays no role in the cocoa trade and processing, but does have a considerable food industry using processed cocoa products.
- Sweden is a relatively larger coffee importer. Developing countries account for a large and still increasing share of coffee imports. Although imports showed a slight decrease, Swedish processors play a significant role on the Scandinavian market. Sweden therefore is an interesting market for developing country exporters of coffee.
- Tea import volumes are stable but limited with negligible volumes sourced in developing countries and offer little opportunities for exporters in developing countries.
- Sweden only imports processed cocoa products, almost exclusively from EU countries, and seems of very limited interest for developing country exporters.

This survey provides exporters of (organic) coffee, tea and cocoa with sector-specific market information related to gaining access to Sweden. 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 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**

- Sweden is a medium to big coffee consumer in the EU, with a market share of 3.0% (ICO, 2006).

- Total coffee consumption has been decreasing with an annual average of 2.0% between 2001 and 2005, amounting to 1,242 thousand bags in 2005.
- Per capita consumption in Sweden shows an average annual decline of 2.4% between 2001 and 2005, amounting to 7.7 kg in 2005. However, next to this, Swedish consumption is following continental European trends, with increasing consumption of espresso and cappuccino, leading to increasing usage of stronger Robusta beans and increasing consumption in premium specialty beans, and fresh coffee beans. Out-of-home consumption of coffee is also increasing (Euromonitor, 2006).
- According to The Swedish National Coffee Association, the share of espresso coffee is climbing fast, from less than 0.5% in 1998, to almost 2% in 2005.
- According to The Swedish National Coffee Association, private labels (ICA and COOP), account for 10% of the Swedish coffee market.

Tea

- Sweden is a medium to small tea consumer, with an EU markets share of 1.1% (ITC, 2006)
- Total Swedish tea consumption is a bit erratic, with an annual average increase of 1.0% between 2001 and 2005 amounting to 2.6 thousand tonnes in 2005.
- Per capita consumption was quite stable over the period 2001-2005 showing an average annual increase of about 0.8% between 2001 and 2005 and amounting to about 0.3 kg in 2005. Traditionally a coffee-drinking country, tea consumption remains very limited. Herbal, fruit and green tea are showing the most development, but black teas remain by far the variety most consumed.

Cocoa

- Per capita chocolate consumption in Sweden is medium to small compared to other EU countries at 4.4 kg in 2004.
- No grinding of cocoa beans of significance takes place in Sweden.

Organic

- Sweden is a very important market for organic food products and the market is very well developed, with supermarkets accounting to the largest share of the market. In 2005, the Swedish market amounted to around € 429 million at the retail level. Each Swede spent € 43 on organic products in 2005 (FibI, 2007¹). At the wholesale level, Swedish organics sales amounted to € 215 million.
- In 2005, organic coffee, tea and cocoa sales amounted to € 17.7 million at the retail level, out of total coffee, tea and cocoa sales of € 500.0 million. This means 3.4% of the total coffee, tea and cocoa market, whereas the total organics market accounted for 2.2% of the total food market in Sweden. At the wholesale level, the value of coffee, tea and cocoa sold is about the same as at the retail level, showing the very small margins made for this product, compared to other organic products (Krav, 2007).

Market segmentation

- Market segmentation of coffee, tea and cocoa in Sweden does not differ particularly 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. Sweden is fully dependent on imports of these products from other countries.
- Sweden does not have significant cocoa grinding activities.
- Tea and coffee processing predominately takes place in the EU, and Sweden itself has several large roasters, supplying Scandinavian markets. Tea blending is more limited.

¹ <http://www.fibl.org/english/news/events/2007/documents/willer-2007-market-data.pdf>

Trends

- Coffee is expected to show a more favourable development in coming years, mainly through increasing out-of-home consumption and demand for fresh ground coffee and fresh coffee beans. Consumption will continue to shift towards stronger varieties.
- A marginal growth is expected for tea for the coming years (Euromonitor 2006).
- For more information on trends, please also refer to the CBI survey covering the EU market for coffee, tea and cocoa.

Opportunities and threats

- Just like other Scandinavian countries, coffee consumption is very popular in Sweden, and this could offer market opportunities for developing country coffee exporters.
- For tea a marginal growth is expected for the coming years (Euromonitor 2006).
- Sweden is an important market for organic products, which offers interesting opportunities for exporters of these products.

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 Sweden and leading suppliers to Sweden, 2001 - 2005, share in % of value

Product	2001 € mln	2003 € mln	2005 € mln	Leading suppliers in 2005 Share in %	Share (%)
Coffee	153	137	223	Intra-EU: The Netherlands (5.0), Germany (4.6), Denmark (2.8) Extra-EU ex. DC: - DC*: Brazil (36.3), Colombia (15.8), Peru (7.2), Kenya (6.3), Ethiopia (4.7), Honduras (3.0)	15.3 0.3 84.2
Unroasted coffee	139	109	194	Intra-EU: Germany (1.9) Extra-EU ex. DC: - DC*: Brazil (41.7), Colombia (18.2), Peru (8.3), Kenya (7.2), Ethiopia (5.4), Honduras (3.5), Guatemala (2.0)	3.1 0.1 96.5
Roasted coffee	14	28	29	Intra-EU: The Netherlands (35.9), Germany (23.0), Denmark (19.0), Italy (10.8), Belgium (7.4) Extra-EU ex. DC: Norway (0.8) DC*: Lebanon (0.5)	97.2 1.3 1.5
Tea	26	23	25	Intra-EU: Belgium (23.9), United Kingdom (18.6), France (18.3), Germany (15.3), Poland (10.9) Extra-EU ex. DC: United Arab Emirates (0.6) DC*: Sri Lanka (5.1), India (1.8), China (0.7)	90.1 1.2 8.7
Black tea	24	22	22	Intra-EU: Belgium (27.1), France (18.8), United Kingdom (18.2), Poland (12.3), Germany (12.1) Extra-EU ex. DC: -	90.5 0.6

				DC*: Sri Lanka (5.6), India (1.7)	8.9
Green tea	1	1	3	Intra-EU: Germany (39.1), United Kingdom (21.0), France (14.9), The Netherlands (9.8) Extra-EU ex. DC: United Arab Emirates (3.3) DC*: China (2.2), India (1.8)	87.5 5.8 6.7
Cocoa beans	Negl.	Negl.	Negl	Intra-EU: negligible Extra-EU ex. DC: negligible DC*: negligible	- - -
Cocoa paste	6	6	6	Intra-EU: Belgium (59.8), The Netherlands (26.9), Germany (13.2) Extra-EU ex. DC: - DC*: -	99.9 0.1 0.1
Cocoa powder	8	17	8	Intra-EU: The Netherlands (55.0), Germany (24.6), France (16.6), Spain (1.2) Extra-EU ex. DC: DC*: Côte d'Ivoire 1.1()	98.4 0.2 1.4

Source: Eurostat (2004)

*Developing Countries

Coffee

Sweden is a small to medium importer of coffee, accounting for 3.7% of EU coffee imports. As imports are dominated by unroasted coffee, Sweden's share in EU imports is 4.9% for this product. Total coffee imports increased by 9.9% annually amounting to € 223 million / 113 thousand tonnes. According to The Swedish National Coffee Association instant coffee accounted for 12% of total coffee imports and is mainly imported from European countries.

An above-average share is sourced in developing countries. Developing countries account for 84% of the import market share. Imports from developing countries increased by 9% annually between 2001 and 2005, now totalling € 188 million / 100 thousand tonnes. The leading developing country suppliers are Brazil (36% of imports), from which imports increased by 13% annually and Vietnam (16%). Imports from Ethiopia jumped dramatically, bringing the country to a market share of 4.7%.

Organic

According to ICO, in 2005 Sweden was the fifth largest importer of organic coffee, with its import volume amounting to 689 tonnes. Therefore Sweden can be considered as a medium-sized importer of organic coffee. The leading developing country supplier was Ethiopia, accounting for 37% of import volume, followed by Mexico (33%).

Tea

Sweden accounts for 3.6% of EU tea imports. Imports remained unchanged in the review period, totalling € 25.4 million / 3.5 thousand tonnes. The situation is somewhat different for green tea and black tea. Green tea imports increased by 21% annually (to € 3 million), which is a far stronger increase than the EU average. On the other hand, black tea imports decreased by 16% which is a much stronger decrease than the EU average.

The main suppliers are Belgium, the UK and France, from which imports all decreased in the period revised. Remarkable is the strong growth in imports from Poland, which increased by 190% annually, now holding a market share of 11%. Developing countries' market share is small at only 8.7%. However, imports from these countries increased by 6% between 2001 and 2005. The main developing country supplier is Sri Lanka, with a market share of 5.1%. India strongly increased its presence, with a 32% annual growth between 2001 and 2005.

Cocoa

Sweden is a small importer of cocoa products. Imports of cocoa beans in particular are negligible. Imports of cocoa paste are also small, and exclusively sourced from EU suppliers, mainly Belgium and The Netherlands. Imports remained stable, with import quantities around 3 thousand tonnes. Imports of cocoa powder follow general EU trends, peaking in 2003 due to high cocoa prices, and decreasing imports thereafter. However, quantities imported decreased

by 5% annually, amounting to 4.9 thousand tonnes. Here too, almost all imports originate in EU countries, mostly The Netherlands and Germany.

Exports

Coffee

Sweden accounts for 3.6% of EU coffee exports, which is comparable to the size of its imports. Sweden is a medium-important trading country, playing a role in the Scandinavian market. Exports increased by 45% annually amounting to € 81 / 25 thousand tonnes in 2005. The two main exports destinations are Denmark and the USA, but other destinations include Norway, Finland and Estonia. Swedish exports almost exclusively consist of roasted coffee.

Tea

Sweden is a small tea exporter, only accounting for 1.4% of total EU tea exports. Sweden is one of the countries in the EU whose export decreased the sharpest between 2001 and 2005: by 16.1% annually in value terms, amounting to € 6.6 million / 843 tonnes. Sweden's exports are directed to its Scandinavian neighbours.

Cocoa

Sweden exported no cocoa beans and cocoa paste in 2005. Exports of cocoa powder are very limited, amounting to € 0.6 million / 0.2 thousand tonnes in 2005.

Opportunities and threats

Some opportunities and threats can be distinguished regarding the coffee market in Sweden. Positive is that Sweden is a large coffee consumer and that developing countries account for a large, and still increasing, share of coffee imports. On the other hand, domestic consumption shows a continued, slight decrease between 2001 and 2005 and the volume of imports is still small compared to other large EU markets. However, considering the function of Sweden as a re-exporter to other Scandinavian countries, Sweden is still an interesting market for developing country exporters.

Sweden does not seem an interesting market for tea producers as domestic consumption is small; imported volumes are stable but limited, with negligible volumes sourced in developing countries. Furthermore, Sweden only plays a small regional role in re-exports of tea products across the EU.

Opportunities on the Swedish market for cocoa products appear limited, especially for producers of cocoa beans. However, Sweden does have a large organic sector and opportunities might exist there.

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. Sweden imports only almost exclusively processed cocoa products, which is conducted by industrial users such as chocolate, confectionery and beverage manufacturers and lacks a grinding industry. 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. Agents representing importing companies in developing countries can play an important role. According to ITC, agents play a relatively important role in the Swedish market, with imports handled by agents or processors for both coffee and tea.
- 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.
- Traditionally, traders operate in ports where coffee is delivered, which are mostly outside of Scandinavia, with Nordic countries in general having no main traders. Imports of (predominately roasted) coffee are conducted by roasters and agents, often from the main trading centres. However, Sweden does play a substantial role in direct trade and processing, also considering the substantial re-exports to other Scandinavian countries and the largely direct coffee imports from developing countries. The main coffee roasters in Sweden (also multinationals) import green coffee directly from developing countries, and process it for Sweden and other Nordic countries.
- Vertical integration between tea blenders and traders is considerable. Sweden does not play a role in this trade and tea is mostly sourced through other EU countries. This includes both the needs of local blenders, but to a relatively large extent also concerns imports of processed tea by distributors and retailers.
- The largest cocoa processors also have their own import departments, but trading companies play a very large role in processor sourcing practices. Sweden does not have cocoa traders (except for a local sales and distribution branch of Barry Callebaut) or important cocoa grinders; it almost exclusively imports processed cocoa products.

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. In Sweden, at 96% for the top 6 roasters in 2005, this level of concentration is among the highest in the EU. Nestlé alone, under the brand Gevalia, accounts for 43% of sales volume. The second player, Zoégas, selling under its own name, accounts for 17% of the market, Löfbergs Lila, also under its own name accounts for 15%. Arvid Norquist, under the brand name Classic accounts for 11% of the market, while the main retailers' private labels COOP and ICA each account for an additional 5% of the market. Even though many roasters disappeared, virtually every EU country has smaller roasters producing under own brands or private labels. However, in Sweden, this seems to be especially limited, with foreign roasters filling in many niches, and the major roasters also dominating the organic market. Kraft's Gevalia's brand accounts for 46% of this market, Zoégas for 15% and

Löfberg's Lila for 14%. Moreover, the retailers each have a share of 7% in this market. Instant coffee is largely imported, with Nestlé accounting for 65% of the market, and the remainder mostly consisting of private labels (The Swedish National Coffee Association, 2007).

- While blending and packing of tea predominately takes place in the EU and not in developing countries, this probably happens only to a very limited extent in Sweden itself. 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 either multinationals such as Unilever or national players, as well as niche and specialty players. Tea processing and trade in Sweden is mostly conducted by coffee companies, such as Bergstrand & Bergstrand and Kahls.
- 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. Sweden does not have large processors. However, Cloetta Fazer, the largest chocolate manufacturer in Scandinavia, accounts for 22% of that market and has its headquarters in Stockholm. It also conducts very limited processing.

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 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). Although Sweden does have a considerable number of these companies, direct trade with these players will be difficult.
- 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 thanks to further organic market development this situation is changing. Most 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 organic 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. Both major retailers in Sweden, ICA and COOP have large assortments of organic coffee, tea and chocolate. Concerning tea, the focus is more on Fair-Trade (or fair trade-organic combinations). Furthermore, there are also organic food supermarkets and stores which sell organic coffee, tea and chocolate.
- Swedish supermarkets hire the services of large-sized (not mega-) roasters, blenders and chocolate/ food product producers for their organic private labels. In Sweden both conventional and up-market tea and coffee processors (Löfberg's Lila for example) 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, have made the

organic market increasingly interesting for conventional players. Their entrance in the market will have a profound influence in this niche.

Useful sources

Coffee

- Gevalia, principal coffee brand of Kraft: <http://www.kraftfoodsnordic.com>
- Zoégas, principal domestic roaster: <http://www.zoegas.se/>
- Löfbergs Lila, important domestic roaster, also supplying Fair-Trade/organic coffee: <http://www.lofbergslila.se/>
- Arvid Norquist, important domestic roaster: <http://www.arvid-nordquist.se/>
- Lindvalls Kaffe AB, smaller Swedish roaster: <http://www.lindvallskaffe.se>
- Bergstrand & Bergstand AB, premium coffee producer: <http://www.bergstrands.se/>
- ICA, major retailer with large organic assortment: <http://www.ica.se>
- COOP, major retailer with large organic assortment: <http://www.coop.se>

Tea

- Bergstrand & Bergstand AB is also a distributor of conventional and premium tea.
- Kahls, tea importer and distributor <http://www.kahls.se/> (also coffee roasting)

Cocoa

- Cloetta Fazer, Scandinavia's largest chocolate and confectionery company, accounting for 22% of the market: <http://www.cloettafazer.se/>
- 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: <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, Swedish prices should show limited deviation from those prices (except in case of transport costs for example). Sweden's import prices for coffee are comparatively cheap, which is surprising considering the high percentage of more expensive Arabica coffee consumed in Sweden and Sweden's main re-export markets in Scandinavia. However, Sweden does play a role as a trading country in Scandinavia, with substantial direct imports from developing countries. This would mean a close correspondence to world market prices, which is reflected in import prices. As expected, import prices of tea are among the highest in the EU, products being sourced in other EU

countries, and likely to consist of processed products to a large degree. Sweden does not import cocoa beans, but only processed cocoa products.

Regarding actual prices of coffee, tea and cocoa (products), prices provided in the market survey covering the EU should therefore 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.

In general, exporters need to have detailed production costs/volume price breaks for the products that 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 organic market. A premium for Fairtrade 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. Swedish retail prices for coffee are among the lowest in the EU, which is surprising considering the high proportion of more expensive Arabica coffee in total coffee consumption. In 2005, the average retail price amounted to € 5.30. 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 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 Sweden, you should be aware of the market access requirements of your trading partners and the Swedish 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 Sweden is 25% as of February 2006. Foodstuffs either fall under this rate, or a reduced rate of 12%.

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 Sweden should not deviate from the general EU method. However, please note that Sweden plays a very limited role in the trade of the tea and cocoa, and imports are to a considerable extent conducted by agents and processors, directly from other EU countries, or concern processed products imported from other EU countries by retailers/distributors and, in the case of cocoa, by chocolate and food manufacturers. Coffee is more often imported directly from developing countries and Sweden plays a considerable role in the regional market. Moreover, the country also has a significant roasting industry. 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 directly through 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 Sweden. 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 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

Knowledge of Swedish 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 Sweden are described below.

- Swedish people 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.
- Swedish are people of their word. Once an agreement has been signed, you can be certain that the project will move forward.
- Swedish society is very equalizing for women and men.
- A Swedish manager tends to think of himself as a coach rather than a commander, and he often delegates tasks and authority to his staff.
- The power distance in Swedish companies is among the smallest in the world, and problem solving is pragmatic and informal. Swedish companies usually have a flat and team-

oriented structure. In Swedish organizations, employees on all levels have the freedom to make decisions and solve unexpected problems, without asking superiors for permission.

- Be matter of fact, avoid excessive gift giving, and do not spend too much time with small-talk. Swedish ascribe much value to facts and figures.
- Make appointments and always be punctual. Business is not often discussed during dinners.
- Be careful with culture related jokes, unless they are self-depreciated.
- Dress conservatively. When your business partner is more relaxed, you can follow.
- Business cards can be exchanged after a short small talk.

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.sverigeturism.se/smorgasbord/smorgasbord/industry/business/culture.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 Sweden 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. Most inhabitants of Sweden speak English (and sometimes other Scandinavian languages and possibly 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 Sweden are:

- Svenska Choklad-, Konfektyr-, och Kexfabrikantforeningen / Swedish Chocolate, Confectionery and Biscuit Association - Residing under the Foodstuffs Association: <http://www.li.se>, tel: +46 (0)87625600
- The Swedish National Coffee Association: <http://www.kaffeinformation.se>
- About Tea Sweden: <http://www.omte.se>
- KRAV – Organic Certification: <http://www.krav.se/>

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 Sweden is:

- Alltommat: <http://www.alltommat.se/>

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'. No trade shows of interest were found in Sweden.

- Please also refer to the CBI document 'From survey to success: guidelines for exporting coffee, tea and cocoa to the EU'.

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

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