

CBI MARKET SURVEY

THE (ORGANIC) COFFEE, TEA AND COCOA MARKET IN THE UNITED KINGDOM

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Report summary

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

- The United Kingdom consumes only a limited amount of coffee, but this is increasing. This is expected to continue, both in the dominant instant coffee market, but also for fresh, ground, premium and certified coffee.
- The UK is the largest tea consumer in the EU. Although a decline in black tea consumption is leading to an overall decline in consumption, consumption of green, herbal and fruit teas is increasing.
- The United Kingdom is a significant grinder, but grindings are decreasing.
- Due to the high consumption of soluble coffee, imports of coffee are relatively often sourced in other EU countries. However, the UK imports very substantial quantities of coffee, and its unroasted coffee imports, mostly sourced in developing countries are showing a positive development.
- The UK is the focal point of the international tea trade and therefore an interesting market for developing country tea producers. Besides the huge amounts of imported volumes needed to fulfil the high per capita tea consumption, considerable re-exports also take place. Furthermore, developing countries hold a relatively large share in imports.
- Imports of cocoa products into the United Kingdom are relatively limited; developing countries' import market share is small and decreasing for cocoa paste and cocoa powder.

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

1. Market description: consumption and production

Due to the interesting perspectives offered to developing country exporters in organic and other certified markets for coffee, tea and cocoa, these are given a particular focus in this survey. These markets grow faster, offer a premium, and traded volumes are smaller than in the conventional market. 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

- The UK is the 5th biggest coffee consumer in the EU with a market share of 7.0% (ICO, 2005).

- Total UK coffee consumption was quite stable over the period 2001-2005, with an average annual increase of 2.3% amounting to 2,391 thousand bags of 60 kg in 2005. Premium specialty coffee is an important stimulant to the UK coffee market.
- Per capita consumption is quite small compared to other EU countries, amounting to only 2.4 kg in 2005.
- The number one coffee brand in retail sales is Kenco, an instant coffee variety produced by Kraft. After a decline in previous years, instant coffee consumption is increasing.

Tea

- The UK is the biggest tea consumer in the EU, with a market share of 54.0% (ITC, 2006).
- Total tea consumption in the UK was somewhat erratic over the period 2001-2005 with an annual average decline of 1.6%, amounting to 128.2 thousand tonnes in 2005.
- Per capita consumption shows a decrease between 2001 and 2005, with an annual average decrease of 1.4%, amounting to 2.1 kg in 2005. Black conventional tea consumption is decreasing in the UK.
- Consumption of premium tea has been performing well, as has consumption of fruit and herbal tea as well as green tea. Moreover, demand for decaffeinated or semi-decaffeinated tea is increasing. The herbal, green and decaffeinated assortments found in UK supermarkets has increased tremendously. However, compared to conventional black tea, these products remain very limited, and cannot offset the decline in overall tea consumption (Euromonitor, 2006).

Cocoa

- UK's cocoa consumption is the 4th largest in the EU, with an EU market share of 10% (ICCO, 2006).
- Total cocoa beans grindings show an annual average decrease of 0.9% between 2001 and 2006, amounting to 135 thousand tonnes in 2005/2006.
- Per capita chocolate consumption in the UK is, after Belgium and Germany, the highest in the EU with 8.8 kg in 2004.
- The chocolate beverage sector is also performing well, especially chocolate powder drinks (Euromonitor, 2006).

Organic and Fair-Trade

- The UK used to lag slightly behind regarding organic assortment and availability but organic sales are now booming in the UK. Market growth was about 30% in 2005, with the market amounting to almost € 2.5 billion in that year (FiBL, 2007¹). The organic market share is 1.3% in the UK and organic sales via retailers was 76% in 2005, which is above EU average. Waitrose is the retailer market leader in organic sales (FiBL 2006²).
- Fair-Trade certified coffee, tea and cocoa sales increased considerably between 2004 and 2005, as shown in table 1.1. Furthermore, consumer recognition of the Fair Trade Mark in the UK is high and growing: from 11% in 1999 to 51% in 2005. 40% of UK households purchased Fair-Trade products in 2005.
- Because of increased participation by retailers in the sustainable segment of coffee in the UK, consumer awareness is growing. Besides organic and Fair-Trade certification, other certifications on the UK sustainable coffee market are the Ethical Trade Initiative and Rainforest Alliance Certification.

Table 1.1 Volume sales of Fair-Trade-certified coffee, tea and cocoa in the UK in 2004-2005, tonnes

	2004	2005	increase in %
coffee	3,339	4,482	34%
tea	1,421	1,854	30%
cocoa	1,626	2,238	38%

Source: <http://www.fairtrade.net> (December 2005)

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

² http://www.fibl.org/aktuell/termine/2007/documents/biofach_07_organicretailing_tr.pdf

Market segmentation

Coffee consumption in the UK is rather different compared to coffee consumption in other EU countries. The British prefer instant/soluble coffee instead of espresso or drip coffee. According to the British Coffee Association, 85% of coffee consumption in the UK comprises instant coffee, 15% is roasted and ground coffee. This custom is to a large part related to convenience and availability.

Production

- Because of climatic conditions, no production of coffee, tea and cocoa beans takes place within the EU. The UK is fully dependent on imports of these products from other countries.
- The UK is, however, a significant 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 the UK itself has a large number of tea blenders. Coffee roasters are few in number, and often concern foreign companies.

Trends

- The expectations for the future development of black tea consumption are not favourable in the UK. However, even though consumption will probably show a continued decline, total consumption will remain very large in the UK. Furthermore, the shift to other tea varieties will continue. Coffee consumption, both fresh and ground coffee, and soluble coffee will continue to show a small but steady increase.
- The British drink more instant/soluble coffee compared to drip or espresso coffee, but this is changing gradually. The pod machine has especially been a product champion over the last couple of years; combining convenience (coffee pads) with quality (fresh roasted ground coffee) this has also boosted roasted coffee consumption.
- According to UK industry sources, the demand for ethically and sustainably sourced coffee is increasing at a faster pace than ever in the UK. There are many different ways a company can source ethically, such as circumventing the conventional distribution channels, which is being adopted by a number of players within the trade. This is occurring in addition to the increase of Fair-Trade, Rainforest Alliance and other certified coffees.
- For each of the product groups discussed, private labels play a very dominant role, and this is still increasing, with the five major retailers, such as Tesco, Sainsbury's, Safeway and Morrison's, holding such a large market share and having tremendous influence on the coffee, tea and cocoa sector. Private labels are increasingly swift in copying product innovations of the big brands. Private label organic and Fair-Trade coffee, tea and cocoa sales also proliferated in the UK. At Co-Op, all coffee and tea products are Fair-Trade certified.

Opportunities and threats

- British consumers increasingly want to learn more about the origins of the products they buy (traceability) as well about issues regarding labour conditions. This offers opportunities for developing country producers to focus on niche markets with organic and Fair-Trade specialty coffee and tea blends.

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>
- Fair-Trade Labelling information at <http://www.fairtrade.net/coffee.html> or [tea.html](#) or [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 the United Kingdom and leading suppliers to the UK, 2001 - 2005, share in % of value

Product	2001 € mln	2003 € mln	2005 € mln	Leading suppliers in 2005 Share in %	Share (%)
Coffee	232	218	288	Intra-EU: Germany (21.6), Belgium (7.8), Italy (7.7), The Netherlands (5.7), Ireland (3.6) Extra-EU ex. DC: Switzerland (0.7) DC*: Colombia (11.5), Brazil (7.4), Vietnam (6.5), Indonesia (5.7), Peru (3.2)	51.8 2.1 46.1
Unroasted coffee	155	126	157	Intra-EU: Germany (10.3), The Netherlands (2.2) Extra-EU ex. DC: South Korea (0.7) DC*: Colombia (20.9), Brazil (13.4), Vietnam (12.0), Indonesia (10.4), Peru (5.9), Nicaragua (4.3)	14.5 1.7 83.8
Roasted coffee	76	91	130	Intra-EU: Germany (35.4), Belgium (17.2), Italy 16.1), The Netherlands (9.8), Ireland 6.8) Extra-EU ex. DC: Switzerland (1.3), USA (1.0) DC*: Brazil (0.4)	96.4 2.7 0.9
Tea	323	240	219	Intra-EU: Germany (2.7), Ireland (1.0), France (0.7) Extra-EU ex. DC: USA 1.5) DC*: Kenya (44.3), India (17.4), Indonesia (6.7), Tanzania (4.7), China (4.7), Malawi (4.6), Sri Lanka (3.9)	5.5 2.5 92.0
Black tea	317	233	213	Intra-EU: Germany (2.7), Ireland (1.0), France (0.7) Extra-EU ex. DC: USA (1.3) DC*: Kenya (45.6), India (17.8), Indonesia (6.3), Tanzania (4.9), Malawi (4.8), Sri Lanka (3.9), China (3.8)	5.3 1.7 93.0
Green tea	6	7	6	Intra-EU: The Netherlands (4.8), Germany (4.6), Ireland (2.7) Extra-EU ex. DC: Japan (12.8), USA (10.8), Taiwan (2.0) DC*: China (32.0), Indonesia (20.0), India (3.5), Kenya (1.4), Sri Lanka (1.3)	13.5 27.1 59.4
Cocoa beans	200	240	136	Intra-EU: The Netherlands (1.2), France (1.1) Extra-EU ex. DC: DC*: Ghana (50.1), Côte d'Ivoire (24.3), Nigeria 11.7), Indonesia (7.1), Cameroon (2.5)	2.7 0.0 97.3
Cocoa paste	19	53	20	Intra-EU: The Netherlands (55.2), France (35.1), Germany (4.7), Belgium (4.2), Spain (0.8) Extra-EU ex. DC: - DC*: -	100.0 0.0 0.0
Cocoa powder	11	18	25	Intra-EU: The Netherlands (75.6), Germany (11.4), Italy (4.0), France (3.7), Belgium (1.8) Extra-EU ex. DC: DC*: Indonesia (1.5), Malaysia (0.6)	97.6 0 2.4

Source: Eurostat (2004)

*Developing Countries

Coffee

Per capita consumption of coffee is below the EU average, therefore, despite the large population numbers, the UK only accounts for 4.7% of EU coffee imports. Total coffee import value increased by 4.7% annually amounting to € 288 million / 144 thousand tonnes.

On average, the EU imports three times as much unroasted coffee as roasted coffee, since most processing and value adding takes place within the EU. The situation is different in the

UK. Of total imported coffee, about half is roasted (in other EU countries) and half is unroasted coffee. This can be explained by the fact that the British consume mostly instant coffee, which falls under roasted coffee imports. Furthermore, imports of roasted coffee increased by 15% annually between 2001 and 2005, whilst imports of unroasted coffee did not show an increase in import value or volume.

Less than half of coffee imports is sourced in developing countries, mostly because of the high share of roasted coffee in imports. Developing countries' import market share increased slightly by 1% annually between 2001 and 2005, totalling € 133 million / 105 thousand tonnes. The leading developing country suppliers are Colombia (12% of imports), from which imports also increased by 11% annually, Brazil (7.4%), from which imports increased by 5% annually and Vietnam (6.5%). Developing countries' market share of roasted coffee is low (0.9%). Clearly, green coffee is roasted in the port cities of Germany, Belgium, Italy and The Netherlands, to be re-exported as instant coffee to the UK.

Organic

According to ICO, in 2005 the UK was the sixth largest importer of organic coffee, with imports amounting to 647 tonnes. Therefore the UK can be considered to be a medium-sized importer of organic coffee. The leading developing country supplier was Ethiopia, accounting for 56% of import volume in 2005, followed by Colombia (14%), Papua New Guinea (11%) and Honduras (9%).

Tea

The UK is by far the largest importer of tea in the EU, with a market share of 31.1% in EU tea imports. However, imports decreased at a faster pace than EU average: by 9% annually between 2001 and 2005, totalling € 220 million / 153 thousand tonnes in 2005. This is much larger than decreases in consumption described above. The British are black tea drinkers, reflected in the fact that the UK only accounts for 5.7% of EU green tea imports, but 36% of black tea imports.

Developing countries account for a very large market share of 92%, far outstripping the EU total. With both very large domestic consumption as well as an important role in re-exports of tea, imports from developing countries totalled € 208 million / 149 thousand tonnes in 2005. Nevertheless, imports from developing countries decreased considerably by 10% annually between 2001 and 2005, mainly because of decreased imports from Kenya (9% annually) the number one supplier with a market share of 44%. Only imports from Tanzania increased significantly by 46% annually, now accounting for a market share of 4.6%.

Cocoa

Considering its size, imports of cocoa products into the United Kingdom are relatively limited. It takes a 5th position among EU countries in cocoa beans, the 8th for cocoa paste and the 5th for cocoa powder. However, actual imports are much lower than the top three or four countries. Between 2001 and 2005, imports in value show a negative development for cocoa beans and a very limited increase for cocoa paste. Only for cocoa powder can a significant positive development be distinguished. However, as in other EU countries, imports in value peaked in 2003, due to high prices paid for cocoa products, and decreased later as prices decreased. Volumes imported into the UK also decreased for cocoa beans and paste.

Between 2001 and 2005, imports of cocoa beans decreased by 5% annually in value and by 3% in volume, amounting to € 162 million / 130 thousand tonnes. A relatively large and increasing proportion of beans is sourced directly in developing countries, as compared to imports by other EU countries. Among the top suppliers, imports from Ghana remained more or less the same, while imports from Nigeria and especially Côte d'Ivoire decreased significantly. The limited imports of cocoa paste are exclusively imported from EU countries, with especially The Netherlands and France accounting for a large proportion. In 2005, imports of paste amounted to € 20 million / 10 thousand tonnes, signifying a small annual increase between 2001 and 2005 in import value and a small decrease in volume. The UK's imports of

powder amounted to € 25 million / 14 thousand tonnes in 2005. This signifies a large annual increase of 23% in value, and of 22% in volume. Little powder is imported from developing countries, and that proportion is slowly decreasing. The Netherlands remains the dominant supplier.

Exports

Coffee

The UK has a small domestic coffee industry and does not play a role in re-exports of coffee throughout the EU; this is also reflected in the trade data. The UK accounts for 1.7% of EU coffee exports. Exports by the UK also decreased by 12% annually between 2001 and 2005, totalling € 38 million/ 5.1 thousand tonnes. The main export destination is Ireland.

Tea

The UK is the largest EU exporter of tea, accounting for 41% of total EU tea exports. Exports value as well as volume remained unchanged in the period reviewed, totalling € 180 million / 25 thousand tonnes in 2005. Just as with green tea imports, the amount of green tea re-exported is also negligible. The UK takes a key position in the re-export of tea outside of the EU. The main export destinations are Canada, France, Japan and the USA, to which more than half of UK tea exports are destined.

Cocoa

The UK hardly exports cocoa beans, with exports amounting to € 1.4 million. UK exports of cocoa paste are more significant at € 19 million / 12 thousand tonnes, accounting for 6% of total EU exports, the fourth among EU exporters. Although the UK is the 6th exporter of cocoa powder, compared to The Netherlands its exports are not significant, accounting for 1% of EU exports. Exports amounted to € 6.6 million / 5.0 thousand tonnes. UK exports are mostly oriented towards North American markets, but also to other EU countries.

Opportunities and threats

The UK is interesting for coffee producers only because of the large domestic market, but the British in general are small coffee consumers. Developing countries' import market share equals the EU average and imports from developing countries have been increasing, although slightly, as well, which is a positive tendency. On the other hand, with regard to processed, value-added coffee, developing countries play no role. The UK sources its roasted (often instant) coffee completely from within the EU. If developing countries are able to compete with EU coffee roasters and supply high-quality, low-priced roasted coffee, the UK instant coffee market could be an interesting market.

The UK is the focal point of the international tea trade and therefore an interesting market for developing country tea producers. Besides the huge amounts of imported volumes needed to fulfil the high per capita tea consumption, considerable re-exports also take place. Furthermore, developing countries hold a relatively large share in imports.

Imports of cocoa products into the United Kingdom are relatively limited, and developing countries' import market share is small and decreasing for cocoa paste and cocoa powder. The situation for beans looks more promising because a relatively large and increasing proportion of beans is sourced directly in developing countries, as compared to imports by other EU countries.

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 on trade structure, 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. The UK has a considerable number of tea agents and brokers, eight of which are part of the UK Tea Council and can be found under useful sources.
- 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, all of which have a presence in the UK. Prospects remain for smaller specialised traders.
- Apart from traders, coffee roasters also play a considerable role as traders themselves. Although the major trading centres are located outside the UK, the country does have a considerable number of traders and roasters. However, UK coffee traders and roasters mostly concern international companies, of which only Finlays is British.
- Vertical integration between tea blenders and traders is considerable; the UK has a very important role in the tea trade. Next to the top internationals, which have a huge influence on the tea trade because of their role in production, trade and processing, country (-cluster) specific traders, are also of importance. For example, Twinings also imports considerable quantities, and another example is Taylors of Harrogate, trading in non-conventional coffee and tea (high quality, specific origin). These smaller companies, mostly also active in blending, might be interesting for DC producers. In total, 15 traders are member of the UK Tea Council, as well as 21 blenders. Representation of many different countries appears in both groupings.
- Larger cocoa processors also have their own import departments, but trading companies play a very large role in sourcing practices. Although, the main processing facilities are in The Netherlands and Germany, several traders are located in the UK, including Eto International, Finagra, Louis Dreyfus, the very large vertically integrated processor/trader ED&F Man, and Walter Matter.

Processing industries

- The level of concentration among processors (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 is, with 80% for the top five roasters, rather average in the UK. Even though many of them disappeared, virtually every EU country has smaller roasters, producing under own brands or private labels.

- 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 top three firms usually hold more than half of the local market, with players being either multinationals such as Unilever or national players, as well as niche and specialty players.
- 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 concentrated, with a few multinationals dominating the market. The British company Armajaro is an important player.

End 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 industries are becoming further concentrated.
- The highly concentrated end-industries use processed cocoa products in chocolate, cocoa confectionery, beverages, and cosmetics (cocoa butter). Direct trade with these players will be difficult. Consumers buy chocolate or cocoa beverages and confectionery directly through supermarkets and/or specialty chocolate shops, but these products are also consumed through the catering and institutional sector.

Organic

- Importers of organic coffee, tea and cocoa are often not specialized in these products, but in organic products in general, and they are mostly dedicated to conventional (e.g. not specialty) products. Trading houses of coffee, tea and cocoa, play a more limited role in the trade in organic products, but due to further organic market development this situation is changing. 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). In the UK, supermarkets often offer organic and fair trade products in one, thereby reaching two consumer groups with the same product. They often have extensive assortments of coffee, tea and cocoa, in contrast to other EU countries, and have a principal role in organic and Fair-Trade sales. Sainsbury, the second largest UK retail chain according to organic market share in the assortment, currently re-launched their organic private label: SO Organic. Their new label and marketing strategy exemplifies how organic should position itself in the market nowadays: exclusiveness of products, stylish labels (black) containing product information. Sainsbury enjoyed a 20% increase in annual sales of their organic products in 2006. Furthermore, there are also organic food supermarkets and stores which sell organic coffee, tea and chocolate.
- Supermarkets hire the services of large-sized (not mega-) roasters, blenders and chocolate/ food product producers. Cocoa processors will usually be involved on request of chocolate manufacturers working under private or Fair Trade label, or are part of integrated chocolate companies which have organic lines. Certain up-market tea and coffee processors also have their own organic brands.

Trends

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

- Continued concentration tendencies in the trade and processing of coffee, tea and cocoa.
- Due to increasing interest in organic and premium and single-origin products, there are also still, and perhaps even increasing, numbers of small processors on the EU market.

- Increasing sales and good expectations of organic and Fair-Trade coffee, tea and chocolate and cocoa products, and especially increasing sales through supermarkets, have made the organic market increasingly interesting for conventional players. Their entrance in the market will have a profound influence in this niche.

Useful sources

Coffee

- Gala Coffee & Tea Ltd, the largest fresh coffee roaster in the UK, owned by De Drie Mollen from The Netherlands. Specialised in the manufacture of fresh coffee and speciality tea products for both the retail and foodservice markets: <http://www.gala-coffee-tea.co.uk/>
- Douwe Egberts UK Ltd: <http://www.douwe-egberts.co.uk/uk/retail>
- Finlay Beverages Ltd., both trade and roasting, mainly active in tea: <http://www.finlay-beverages.co.uk>
- Kraft Foods UK Ltd, with strong market position in the instant coffee market, offering various brands, often produced in the UK. Kenco is the best selling and fastest growing coffee brand in the UK: <http://www.kraftfoods.co.uk>
- Rombouts, marketed in the UK by RGB Coffee Ltd: <http://www.rombouts.co.uk>.
- Taylors of Hallogate, a premium and Fair-Trade/organic coffee and tea, also imports: <http://www.taylorsofharrogate.co.uk>
- Generally interesting for organic producers are Waitrose, the supermarket with the largest organic assortment; Tesco, the country's largest supermarket, and Sainsbury's.

Tea

- James Finlay Ltd., one of the principal traders also blender/packer/manufacturer of decaffeinated tea: <http://www.finlays.net/>.
- Clipper Teas, organic tea importer: <http://www.clipper-teas.com>
- Ahmad Tea Ltd, blenders/packers: <http://www.ahmad.tea.com>
- Britannia Tea Co. Ltd, blender/packer/merchant/trader: <http://www.britanniatea.co.uk>.
- Camellia Plc, producers/agents: <http://www.camellia.plc.uk>
- Twinning and Company Ltd., blender/packer of premium tea: <http://www.twinings.com>
- Dragon Teas, premium teas: <http://www.dragonflyteas.com/>
- Clipper Teas, organic and Fair-Trade teas: <http://www.clipper-teas.com>
- Hampstead Tea, organic and Fair-Trade teas: <http://www.hampsteadtea.com/>
- Qi Teas, organic and fair trade green and white teas: <http://www.qi-teas.com/>

Cocoa

- Etco International commodities, trading company in, amongst others, Arabica coffee (conventional and organic) and cocoa beans and butter: <http://www.etco.co.uk/en/1/etco.html>
- Bendicks, processor: <http://www.bendicks.co.uk/index.php?modul=a100>
- Finagra, trader and distributor: Tel: +44 (0)2074811515
- Louis Dreyfus, large trader of, amongst others cocoa and coffee: <http://www.louisdreyfus.com/>
- ED&F Man, one of the largest cocoa beans and processed cocoa products traders: <http://www.edfman.com/Cocoa.php>
- Armajaro Trading Ltd, principal processor and trader of cocoa beans, processed cocoa products and coffee, most production outside of UK: <http://www.armajaro.com>
- Green & Black's, organic and Fair-Trade chocolate: <http://www.greenandblacks.com>, acquired by Cadbury's the UK's largest confectionery, beverages and chocolate manufacturer: <http://www.cadburyschweppes.com/EN>.

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

- British Coffee Association: <http://www.britishcoffeeassociation.org>
- The Coffee Trade Federation Ltd: www.coffeetradefederation.org.uk
- The Ethical Tea partnership: <http://www.ethicalteapartnership.org/>

- UK Tea Association: <http://www.tea.co.uk>
- Biscuit Cake Chocolate & Confectionery Association (BCCCA): <http://www.bccca.org.uk>
- Federation of Cocoa Commerce (FCC): <http://www.cocoafederation.com>
- 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 in 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)

4. Prices and margins

As the prices for coffee, tea and cocoa are world market prices, UK prices should show limited deviation from those prices (except in the case of transport costs for example). The UK has a principal role in the trade of tea. This is also reflected in import prices for tea in the UK, which are the lowest in Europe, the country being the principal entry point. Coffee imports are to a large extent supplied by other EU countries, and largely having undergone processing in those countries, so the UK takes a medium to low position as regards import prices of coffee. The UK is an important entry point for cocoa beans, importing directly from developing countries, with low import prices as a result.

Because of its important function in direct tea and cocoa imports, these in particular should largely reflect world market 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. Owing to specific preferences in the kind of products consumed, average import prices for especially tea will deviate between countries, as these products differ in price.

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 Fair-Trade certified coffee is paid above guaranteed minimum prices for conventional and organic coffee. Regarding premiums of other certification schemes, please refer to the survey covering the EU. Interesting for the UK is that average import prices in the UK are high, due to the fact that a large proportion is imported in the form of more expensive processed (roasted/instant) coffee. UK retail prices for coffee are by far the highest in Europe, at more than € 26 per kilo, compared to € 11 in Italy, the second most expensive coffee county (ICO, 2006). This could be due to the high proportion of coffee consumed, as instant coffees and in one person sachets/pads, which have a high price per kilo. Furthermore, competition is less fierce than on the continent and in Scandinavia. Moreover, the proportion of more expensive specialty and

single-origin coffee is significant. Furthermore, the British Coffee Association stressed that coffee retail prices are high because of the high overheads and rents in many parts of the UK.

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

World market prices for cocoa beans are readily available, as are prices for cocoa butter. Prices for other cocoa products such as powder, liquor and paste are more difficult to find. 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 the United Kingdom, you should be aware of the market access requirements of your trading partners and the UK 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 the United Kingdom is 17.5% as of February 2006. This rate, or the super-reduced rate, 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 the United Kingdom should not deviate from the general EU method. Due to its large size, and its role in the cocoa, but especially the tea, trade and processing, all relevant trade channels are present in the United Kingdom, including a wide array of traders, brokers, processing industries and a large manufacturing sector using cocoa. Moreover, direct imports play an important role. Although coffee imports are more limited and to a greater extent sourced in the EU or constituting products where DC countries do not play a role, the UK has the full array of trade actors in this sector as well. 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 the United Kingdom. Therefore, common practices as detailed in the above-mentioned CBI documents apply. When establishing an overseas price for your products, factors involved are competition, costs such as production, packaging, transportation and handling, promotion and selling expenses, the demand for your product or service and the maximum price which the market is willing to pay regarding origin, quality and order size. How you price your product is worth a good deal of thought and effort since it directly affects your ability to make a profit.

The most commonly used terms of payment in the coffee, tea and cocoa trade are the *Letter of Credit (L/C)* and *Cash Against Documents (CAD)*. When using L/C, risks are divided between buyer and supplier. The supplier only receives payment after the goods have been consigned to a carrier and the buyer only receives the goods after payment. CAD carries the greatest risk for the exporter, as the exporter will only receive payment when the buyer picks up the goods.

In the case of co-operation agreements with overseas companies, payment terms could also include periodical payments. Once trading relationships are established, clean payments are often used.

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

Cultural differences

A profound knowledge of the British 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. The general business culture of the United Kingdom is described below.

- Polite, direct with an understated use of language.
- Treats counterpart as equal but expects respect for achieved status/position. Wait till your counterpart assigns you a seat.
- Extremely task-oriented – ‘hello, nice to meet you’ and then straight to the point – although this may confuse an exporter, who thinks his trading partner is relationship building. Questions are purely ritual and over very quickly.
- A British trading partner will give the exporter the opportunity to sell himself, his company and his products.
- He will be interested in the track record/achievements of your company and your products.
- When convinced, he will be prepared to give it a try on the basis of a trial shipment.
- He becomes slightly irritated by small talk and formalities, preferring to get down to business. Do not talk about politics, religion and private/family matters.
- He expects his counterparts to have their own opinion and voice it, even when disagreeing.
- He expects counterparts to take initiative and expects assertive communication.

Internet provides many source on business practices and culture, such as <http://www.communicaid.com/british-business-culture.asp>. 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 the United Kingdom 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. 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 the United Kingdom are:

- FDF - Food and Drink Federation: <http://www.fdf.org.uk>
- British Coffee Association: <http://www.britishcoffeeassociation.org>
- The Coffee Trade Federation Ltd: www.coffeetradefederation.org.uk
- Tea Association: <http://www.tea.co.uk>
- Ethical Tea Partnership: <http://www.ethicalteapartnership.org>
- Biscuit Cake Chocolate & Confectionery Association (BCCCA): <http://www.bccca.org.uk>
- Federation of Cocoa Commerce (FCC): <http://www.cocoafederation.com>

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 the United Kingdom is:

- Food News: <http://www.agra-food-news.com>
- Food and Beverage International: <http://www.foodandbeverageinternational.com/>
- Food and Drink International: <http://www.foodanddrinkinternational.co.uk/>
- Food Manufacture: <http://www.foodmanufacture.co.uk/>
- Please also refer to the CBI document 'From survey to success: guidelines for exporting coffee, tea and cocoa to the EU'.

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 the United Kingdom are:

- IFE 2007 - International Food Exhibition: <http://www.ife.co.uk>

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