

CBI MARKET SURVEY

THE NATURAL STONE AND STONE PRODUCTS MARKET IN THE EU

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Report summary

This CBI market survey 'The Natural Stone and Stone Products Market in Europe' gives an overview of the opportunities and threats that potential exporters of natural stone products from developing countries should analyse before making a decision to export to the EU. It reviews the following aspects:

- **Consumption and industrial demand:**

EU countries are traditional users of natural stone products and have the highest per capita consumption worldwide. In square meter equivalent, the 10 top EU consuming countries represent more than 27% of the total global consumption of finished products. In 2004, the EU consumed 82.3 million tonnes of natural stone, of which 39% were finished products for a value of €7.3 billion. Italy and Spain are the biggest EU consumers of natural stone.

Over the last decade, the global demand for finished stone products has constantly risen. The same trend has occurred in most EU countries, except for the years 2000-2002, a period when the EU stone sector faced a crisis. Since then, most EU countries have had a growth in demand, with the notable exception of Italy that still fights to regain its former growth rate.

As a whole, the EU consumption is expected to continue increasing in the coming years, given the positive outlook of the economy and the construction sector. This growth should be mainly visible in the new member states and in some countries where the stone sector is currently undergoing a strong progression (Spain, the UK or Ireland for example). Other more traditional countries such as Italy or Germany will have to deal with a progressive saturation of the domestic market and the lack of investment in production, distribution and marketing.

Still, the overall growth of the EU demand can offer very good perspectives for exporters of intermediate and finished natural stone products. Some consumption trends are especially important to take into account:

- the diversification of usage of natural stones products;
- the renewed interest of consumer in natural stone, more and more perceived as an affordable luxury;
- the changing taste of consumers in terms of colours, design and material;
- the high expectations in terms of quality and standards; and
- the preoccupations of EU consumers towards sustainability issues related to the stone extraction and processing.

- **Production:**

The global production level has increased in recent years, thereby contributing to the emergence of new players, most of them originating from developing countries in Asia, Africa and Latin America. In parallel, the production level of the EU countries has stagnated. The EU 15 now accounts 26% of the global stone production and in 2005 the EU 25 produced 77.8 billion tonnes of natural stone products. The biggest producers of intermediate stone are Italy (52% of the EU production), Spain (20%), Greece (12%), Poland and France. For finished products, they are Italy (51%), Germany (18%), Spain (17%), Portugal and Hungary. On average, the production growth has been better in 2005 for European producers of intermediate products than for the processors of finished products.

Because the current EU production level does not meet the increasing domestic demand, exporters from developing countries have an increased opportunity to enter the EU market, especially if those exporters are able to compete with the quality standards of the EU. But maintaining such standards require significant investment in technology. In the context of increasing global competition, such requirements are critical to maintain long term profitability when exporting to the EU.

- **Trade channels and price structure:**

Wholesalers, importers, processors, distributors, retailers and end-users are different entry points to the EU markets. In both segments (intermediate inputs and finished goods) the wholesaler/ importer channel accounts for the largest turnover and offers in most cases the easiest access to the EU for exporters from developing countries. Still the traditional roles of the natural stone industry are currently undergoing a transformation, which increases the direct global competition: some of the biggest producers from developing countries are setting up warehouses in Europe, while some actors from the EU are investing in processing activities in developing countries. Exporters to the EU should therefore study the opportunities within each trade channel, basing their competitiveness either on value-added products, playing on aspects such as exclusivity and quality, or low-cost products that can generate profit through high volume.

Also, it is important to study the export prices and margins that apply in the different trade channels. They can indeed fluctuate significantly according to factors such as the size order, the number of intermediaries, the quality, added-value, availability of and demand for the product.

- **Imports to the EU:**

In 2005, the EU imported € 3,242 million of natural stone. Since 2002, those imports have been constantly rising with an annual growth rate of more than 6%. This progression has been especially strong in the new member states and in other countries such as the UK. On the other hand, some formerly significant importers such as Italy and Germany are closing their markets. The EU imports about 35% of intermediate products and 65% of finished products. It imports mainly siliceous stone (47%), then calcareous stone (21%), followed by slate (15%) and other nature of stone (17%).

Developing countries account for 49% of the natural stone imported to the EU. The top 5 exporting developing countries to the EU are China, India, Brazil, Turkey and South Africa. The biggest buyers of natural stone from developing countries are Italy, the UK, Germany and Belgium. In general, the EU imports coming from developing countries are growing at a higher speed than exports from other partners. The share of finished products is also increasing versus the share of intermediates products.

While lower costs is one undeniable competitive advantage of developing countries, a strong producing and trading capacity, associated with permanent pro-active commercial efforts are also key to successfully export to the EU. One should also keep in mind that the increasing global production and competition are constantly dragging the prices down and challenging the margins.

Introduction

This CBI market survey profiles the natural stone market in the EU. The emphasis of this survey lies on those products, which are of importance to developing country suppliers. The role of and opportunities for developing countries are highlighted.

This market survey discusses the following product groups:

Title market survey	Product category	Product group	Products
Natural Stone	Intermediate Products	Blocks and Slabs	Calcareous blocks and slabs
			Siliceous blocks and slabs
			Slate and other blocks and slabs
	Finished Products	Landscape Design	Setts, curbstones and flagstones
		Flooring and Cladding	Tiles
			Calcareous monumental or building stone
			Siliceous monumental or building stone
			Slate monumental or building stone
			Other monumental or building stone
		Funeral and Other Art	Calcareous funeral and other art stone
			Siliceous funeral and other art stone
			Other funeral and art stone

In this segmentation, most of the products are characterised by the nature of the stone they are composed of (calcareous, siliceous, slate, and other). This is not the case for the Landscape Design stone products which are considered here as an aggregate. The same applies to tiles within the Flooring and Cladding product group. Therefore the analysis of data on the basis of natural stone products can only lead to a partial overview of the natural stone market. The segmentation used for this survey therefore focuses on the final use of the natural stone, as specified by the product groups name, and will whenever appropriate give further information on the specific nature of the stone.

For detailed information on the selected product groups please consult appendix A. More information about the EU can be found in appendix B.

CBI market surveys covering the market in specific EU member states, specific product (group)s or documents on market access requirements can be downloaded from the CBI website. For information on how to make optimal use of the CBI market surveys and other CBI market information, please consult 'From survey to success - export guidelines'. All information can be downloaded from <http://www.cbi.eu/marketinfo> Go to 'Search CBI database' and select your market sector and the EU.

1 Industrial demand and consumption

In this chapter, data from Eurostat Prodcorn database is used to indicate apparent consumption. Apparent consumption is the sum of production and imports minus exports. Variations in inventory are not taken into account. Two problems occur: sometimes negative consumption is calculated, when exports are higher than production and imports combined, in such cases figures are treated as not available. Furthermore, the figures sometimes show a discrepancy between years, e.g. a large fall or extraordinary growth. For decision-making these figures are, therefore, not accurate enough and they should be used in conjunction to further market research.

Note: In this chapter about consumption and production, we refer to 3 product groups:

- Blocks and Slabs
- Landscape Design
- Monumental and Funeral

The last group (Monumental and Funeral) is an aggregate of two sub-products groups that will be addressed separately in the Import/ Export section: Flooring and Cladding and Funeral and other arts. For more explanation about the product group segmentation, please refer to the Appendix A.

1.1 Market size

Note: In the natural stone sector, the term “industrial demand” is used to represent the demand for Blocks and Slabs, since those stone are consumed by the stone industry which processes them into finished products. The demand for finished products, i.e. Landscape Design and Monumental and Funeral stemming, for example, from the construction or funeral industry is called “consumption”. The industrial demand of Blocks and Slabs and the consumption of finished products are correlated, but since the demand for finished products is the main driver of the industrial demand, focus will be given to this specific component of the global natural stone demand and, to a certain extent, the industrial demand of Blocks and Slabs.

In 2005, the worldwide consumption of finished natural stone products reached 50 millions tonnes which is equivalent to 930 million square meters of stone material. China and the US are the most important consumers of natural stone products on a worldwide level (respectively 12% and 9% of the global consumption in square meters) and therefore remain the main drivers and indicators of the global consumption trends. Other important and non-European consuming countries are India (7%), South Korea (4%), Japan (4%), Taiwan (2%) and Brazil (2%).

In this context, the EU still holds the position of one of the world’s largest consuming areas: in square meter equivalent, the 10 top EU consuming countries represent more than 27% of the total global consumption of finished products. Two EU countries, Italy and Spain (with respectively 7% and 6%) are in the global top 5 consuming countries.

The per capita consumption in the EU is also traditionally above the global average of 1 square meter per 100 inhabitants. Six countries (Switzerland, Greece, Belgium, Spain, Portugal and Italy) consume more than 1 square meter per capita.

In 2004, the EU consumed 82.3 million tonnes of natural stone, of which 39% were finished products for a value of €7.3 billion. Table 1.1 represents the EU consumption and industrial demand per product group, and the consumption share of the 10 top consuming countries within EU15.

Table 1.1 EU consumption split into product categories 2002 – 2004 and share of top 10 countries; Value in € million; volume in 1,000 tonnes.

	2002		2003		2004		Share of top 10 countries (Volume, 2004)
Product category	Volume	Value	Volume	Value	Volume	Value	
Blocks and Slabs	35,794	n.a.	47,427	n.a.	50,855	n.a.	Italy (54%), Spain (20%), Greece (12%), UK (4%), France (4%), The Netherlands (3%), Ireland (2%), Denmark (1%), Austria (1%), Luxembourg (1%)
Landscape Design	4,055	673	4,110	674	3,820	724	Italy (41%), Germany (7%), Spain (9%), France (8%), Belgium (6%), The Netherlands (5%), UK (5%), Denmark (4%), Austria (3%), Ireland (3%)
Monumental building stone, funeral and other art	29,215	6,006	28,136	6,373	27,609	6,586	Italy (48%), Germany (24%), Spain (15%), UK (3%), France (2%), Portugal (2%), Belgium (2%), Greece (1%), Austria (1%), The Netherlands (1%), Ireland (0.4)
Total	69,064	6,679*	79,674	7,047*	82,285	7,311*	Italy (51%), Spain (18%), Germany (9%), Greece (8%), UK (4%), France (3%), The Netherlands (2%), Ireland (1%), Belgium (1%), Austria (1%)

Source: Eurostat (2006)

n.a.: not available

*: value of the finished products consumption.

Note: Volumes are calculated using Prodcorn and HS data bases. Values only uses Prodcorn data base.

Over the last decade, the global consumption of finished stone products has undergone a steady expansion, illustrated by a growth rate of 5% between 2004 and 2005. In recent years, global consumption has indeed benefited from a dynamic demand in the US market (+12%) and other dynamic zones such as the Far East.

The EU has followed approximately the same consumption rhythm, with the exception of the year 2002 which witnessed an important decline due to a generally poor economic climate and the poor growth of the European building and construction sector. This temporary decrease has been compensated by the growth of the last 3 years in the majority of EU countries.

The growth in the demand of natural stone over the period 2002-2004 is mainly the result of increasing industrial demand for Blocks and Slabs (an increase of 20%) while the demand for finished products has been slightly declining by 3% (yearly average growth). This decline is due to the progressive saturation of the domestic market and the lack of investment in production, distribution and marketing of some big consuming European countries, most notably Italy and Germany.

In the long term, experts predict further growth in global consumption over the coming years, even if the possible consumption slow-down in China after the expected peak of the Olympic Games in 2008 and the dependency on US economic growth represents a possible threat to the global consumption level.¹

¹ Sources: Stone 2006, World Marketing Handbook; www.marble.com

At the European level, the consumption of natural stone should persist, as a result of the expected progress of the European construction sector and economic growth. Those two elements are indeed the main drives and indicators of the natural stone sectors' fluctuations. According to Euroconstruct's European building-growth forecasts, the European construction industry - despite a weak period between 2001 and 2003 - increased by €200 billion to €1.3 billion in the year 2005. Over 2003 to 2005, several countries experienced considerable growth in residential construction, both in new residential construction and in renovation and modernisation. Over 2006 – 2009, the European construction market is expected to increase by around 2% per year. In the new member states, the performance of the construction sector should be stronger than the average forecasted growth.

Increased demand of natural stone products is expected in Germany and the central European countries because of higher investment in the stone industry. There is, for example, a tremendous market potential in Eastern Europe, in countries like Poland, Hungary, Croatia and Slovenia, where local resources do not meet high demand.²

Moreover, it is expected that this growth impacts mainly the funeral sector consumption, which would thereby increase its share versus the building industry.³

1.2 Market segmentation

Market segments can be distinguished by the different end-users of natural stone and natural stone products. Currently four different end-users can be identified in the natural stone sector:

- Natural stone processing industry
- Building industry
- Funerary industry
- Consumer market

An important distinction within the above segmentation is the distinction between the industries using semi-finished products as input (i.e. the natural stone processing industry) and the industries using finished products as input (i.e. the building industry, the funerary industry and the consumer market).

• Natural stone processing industry

The natural stone processing industry purchases intermediates like Blocks and Slabs, and produces final products like tiles, kitchen counter tops, and windowsills. The type of firm in the processing industry ranges from small specialised firms, producing custom made fireplaces, to large firms producing natural stone tiles. The customers of the natural stone processing industry can be the building industry, the funerary market or the consumer market. The products that can be sold to the processing industry are slabs and raw blocks.

• The building industry

The building industry is by far the largest consumer of finished natural stone products (close to 80%). Products that are sold in this market are:

- All kinds of natural stone floor and wall tiles for interior and exterior coverings;
- Custom made finished products like kitchen countertops, balustrades, fireplaces, windowsills and fountains;
- Municipal furnishing like setts and curbstone; and
- Garden and landscape construction like tiles and flagstone.

• The funerary industry

The funerary industry is the second largest consumer of finished natural stone products (around 10-15%). Products that are sold in this market are mainly traditional gravestone, tombstone, and urns.

² Source: www.Euroconstruct.org

³ Source: www.marble.com

- **The consumer market**

The consumer market (undertakers, garden centres) has a relatively limited consumption of finished natural stone products (roughly 1-5%). The market mainly consists of natural stone products used for garden decorations like flagstones, garden art, birdhouses, fountains, and decorative balls and vases.

1.3 Trends

The existing differences in national consumption trends in the EU can be explained by factors such as historical and cultural traditions of a country, and climate (a warm climate is better suited for natural stone). Still, some general trends can be spotted at an EU level.

- **The diversification of use of natural stone products**

Natural stone can now be found everywhere - from public buildings, public works like roads and parks to office buildings, commercial centres, hotels, and private homes. Natural stone is becoming more and more popular for large projects. For example most airport projects in recent years have used granite as the flooring material. This is partly due to architectural cost efficiency afforded by the lower price of natural stone today, but also in great measure due to high quality, value added products on offer aided by successful awareness campaigns by the industry. Natural stone is indeed increasingly popular in major projects and benefits from a greater awareness among the architects, leading to a bigger demand for commercial space.⁴

- **An affordable luxury**

An increasing trend is towards high-quality products – in terms of material selection and working and in the combination of different materials and colours. The finish is increasingly important. This trend to high-quality products is reflected in the design of living space, reflected by the durability of the material and design. Consumers are more and more receptive to belief that natural stone products can convey “prestige”, “enjoyment”, “sensuousness” and “joy of living” together with notions of ecology and economy. In this context, the natural stone’s combination of appearance, image, technical properties, good processing possibilities and affordability makes natural stone products an affordable alternative to products like woollen carpets, wooden kitchen countertops, and ceramic tiles.⁵

Also, due to the fact that original exclusives now are easily available, a clear increasing trend in use of natural stone can also be seen among designers and builders. This trend can also be spotted in public works such as designed gardens, parks, leisure facilities, garden, landscape, and sports ground construction. Also gardens are predicted to become an even more marked status symbol in the future, and the design of parks, and open spaces will increasingly become an image factor for towns and communities.⁶

- **Colours, design and materials**

It is difficult to formulate a general trend on fashion colours and shapes. There are currently many types of stone and colours circulating that can satisfy many different tastes. One can also notice variations in colours depending on the European geographical location: Northern European countries largely prefer “warm” colours or “darker colours”, and Southern European countries prefer “light” colours. Since trends in colours and design are evolving faster and faster, it is recommended to any exporter to regularly visit trade shows in order to keep track of the current consumption trends. At the moment of writing this market survey, one trend signalled is brown toned in stone, in addition to cream and beige⁷, which refers to a trend already existing for a few years now in Europe: the search for authenticity and earth-colour stone. Stone consumption of less toned variations products⁸ increased. In terms of design,

4 Sources: www.marble.com, www.Eurasian.com

5 Source: www.stonereport.com

6 Source: Stone 2003, World Marketing Handbook

7 Source: Indian Stone

8 Source: Indian Stone

simple forms are intentionally used as contrast to lavish materials and multifunctional design. A trend for bigger-sized natural stone products is also to be noted⁹. Finally, the trend in use of stone for the coming years is hard stone for buildings, while dark colours still prevail in funeral art sector.

- **A trade mark for European stone**

Euroroc (the Federation of European stone industries) has created a trademark for European natural stone products to ensure consumers to get real stone, competence in quality and knowledge about the stone. The goal of the trademark to enforce better environmental protection of the landscape and biodiversity during the material quarrying. It also aims at safeguarding natural stone products from ceramic or agglomerate imitations. A “genuine stone” logo will be introduced within the next years all over EU 25 with the support from the national stone associations. This logo should become an important international showcase for the European companies using it and a consultation tool for international operators wishing to work with European companies supplying authentic natural stone products. A “genuine stone” communication campaign will be launched in the near future, involving not only sector operators but also designers, architects and final consumers.¹⁰

- **Sustainable stone**

The EU market proves to be more and more sensitive to sustainability issues related to natural stone. European importers are therefore more sensitive to the environmental and social issues related to the extraction and processing of natural stone products imported to the EU. Therefore, they require more transparency from their suppliers concerning those issues. Specific attention is paid to the following elements in both quarrying and processing:

- Social issues: occupational health and safety; discrimination; bonded labour; child labour; sub-standard wages; freedom of association and the right to collective bargaining; working hours.
- Environmental issues: impact on ground and surface water; water recycling; emissions in water and air (e.g. dust); destruction of habitat and land degradation; noise and visual impact (to surroundings); waste discharge; reclamation and rehabilitation of abandoned quarries.¹¹

The number of sustainability initiatives in the stone sector is increasing as demonstrated by the following examples:

- In Germany, the Xertifix certificate for child and bonded labour free natural stone from India has been set up.
- The Dutch national eco-labelling Foundation Stichting Milieukeur (SMK) developed a certification scheme for furniture, in which requirements for stone are formulated, concerning, specifically, the extraction of natural stone. The crucial element is landscape rehabilitation based on an acknowledged environmental impact assessment.
- In the United Kingdom, Marshalls, a company specialised in construction materials including natural stone, has adopted the Ethical Trading Initiative (ETI) code and works towards implementation of this code with its Chinese and Indian suppliers of natural stone.¹²

Moreover, the European Commission has established an eco-label for hard floor coverings that aim to promote products with a reduced environmental impact compared with other products in the same group. In order to obtain this certification, natural stone needs to abide by criteria related to extraction, raw material selection, finishing operations, production process, waste management, use phase, fitness for use and consumer information.

Please consult the CBI database for detailed information on those requirements:

- <http://www.cbi.eu/marketinfo>
➔ Search by keyword: ‘hard floor coverings’

⁹ Source: Indian Stone

¹⁰ Source: www.euroroc.net

¹¹ Source: From quarry to graveyard, Crem et al., 2006

¹² Source: From quarry to graveyard, Crem et al., 2006

1.4 Opportunities and threats

- + Growth in markets where natural stone consumption has a long established tradition (globally, the highest per capita consumption), a trend that is currently sustained by a diversification of natural stone use.
- + A strong growth in the industrial demand of Blocks and Slabs.
- + An increase in consumption of natural stone products based on a dynamic construction industry.
- + A prospective increase in consumption in the central and Eastern European countries.
- The saturation of the market in some important consuming countries. A bounce-back of this declining trend depends on expected investments to locally re-launch the all stone sector and promote natural stone.
- A market with increasing high quality expectations and standards, which can be hard to meet for developing countries competing with suppliers from other geographic areas.
- Fast evolving consumption trends. For exporters, this requires the ability to spot those trends by pro-actively approaching those markets and to respond to them adequately.

1.5 Useful sources

- <http://www.stonereport.com/>

An information portal on the stone industry and products.

- <http://www.immcarrara.com/stat/english-version/index-en.html>

An information source on the world stone sector, with statistical data and sector trends.

- <http://www.stoneinfo.com/index1.html>

An information portal on the stone industry and products.

- <http://www.litosonline.com>

A site with information on trends in the stone industry.

- <http://www.euroroc.net>

The site of the European and International Federation of Natural Stone Industries

2 Production

2.1 Size of production

Overall it can be stated that, at the global level, production figures have risen in the last years and that an increasing number of countries are involved in the production process. Worldwide production of natural stone increased by almost 30% in the past ten years, and the production of both marble and granite increased tremendously over the last decades, which can be attributed to new production techniques and research, making the exploitation of (in particular more dense) stone material much easier. Over the last twelve years the volume of marble and stone to be quarried and processed has doubled.

In 2005, the global production of intermediate stone material confirmed this long term trend of growth with 85 million tonnes extracted, representing a 5% increase over 2004. The production of finished products followed the same increase, reaching over 18.5 million tonnes. Siliceous stone have mostly been driving this growth for the last 3 years, while calcareous stone (55% of the world production) start recovering slightly from former production counter-performances.

Asia, the main producing area with 45.5% of the global extracted stone, has also undergone the highest growth rate versus other producing region in 2005. In this region, China and India are the biggest producing countries with respectively 23% and 12% of the world quarrying production. In 2005, EU 15 represented about 26% of the worldwide production, a share that makes it the second largest producing region (the European continent accounts for about 31% of the global production). Other producing regions of stone raw material are Africa: 12% (with Turkey: 5.6% and Egypt: 3.8%) and North America (4%) and Latin America (7%, with Brazil: 5.3%).

In 2005, the EU produced 77,8 billion tonnes of natural stone intermediates and finished products. The biggest producers of natural stone products are Italy (51%), Spain (19%), Greece (8%), Germany (7%) and Poland (5%). Those top 5 countries represent 90% of the EU25 production. Other producers are France (2%), Hungary (2%), Portugal (1%), Ireland (1%), and Belgium (1%). For Blocks and Slabs, main producers are Italy (52%), Spain (20%), Greece (12%), Poland (7%), France (3%), Hungary (2%) and Ireland (2%). For finished products, Italy (51%), Germany (18%), Spain (17%), Portugal (4%) and Hungary (3%) are the biggest producers.

The volume of the EU 15 production has been stagnating for the last 3 years, with Italy still in a production crisis while Spain, Portugal and Greece maintain their traditional positions. On average, the picture has been more positive in 2005 for European producers of intermediate products than in the processing sector. In this context, Spain is doing better than other EU producing countries, as it has access to diverse markets and has China as a very good trading hub for its marble blocks and slabs products.¹³

2.2 Trends

- **Demand for new technology**

The demand for new technology has been fuelled by the increase of worldwide production in the stone sector, which has also led to a strengthening of research in order to achieve more advanced levels of productivity and safety. New innovative processes for quarrying work such as chain cutting, wet hydraulic boring work, and diamond wire have become more frequent in both Europe and developing countries. Another area of improvement is post-quarrying work, which includes computerised numerical control systems and automation. This area applies for

¹³ Source: www.immacarrara.com

the traditional phases of sawing, cutting and surface treatment, processing work with a high added value, and the reproduction of artistic manufactures pieces. An additional development in technology is the use of laser technology in order to obtain an anti-slip surface on polished natural stone tiles. These machines “chisel” 8,000 to 10,000 micro craters per second in the stone by which various degrees of anti-slip effect can be achieved, depending on the spacing and size of the individual craters. The processing only slightly reduces the gloss and brilliant colours of the polished stone and the mini craters are designed so that the slabs are still easy to clean. The increased computerisation of machines, which consequently requires fewer workers, has however given rise to a paradoxical effect that holds true in developing countries: they are facilitated by extremely competitive costs, but inclined to imitate rather than carry out their own innovative research, which have lessened investments destined for research.

- **Investments: a key condition to expanding production**

For stone companies selling either intermediate or finished stone, investments in technology are necessary for expansion. However, this is difficult due to the low earning power of western-mechanical companies, and the lack of investments made in developing countries. In short, the state of technology and production in the natural stone sector can very much be characterised as a mature sector, which has achieved exceptional progress in a short period of time, and now needs further investments, and incentives in order to avoid stagnation. This currently causes the EU countries’ production to stagnate to the advantage of newer dynamic producing countries. At the company level, stone processing demands increasingly high investments in modern equipment. The same applies to extracting activities, not only to access the raw materials, but also to market the extracted material (expensive commercial investments such as opening their own warehouses). This can severely affect the growth potential of smaller producers.¹⁴

- **Environmental policies constraining EU production**

In recent years, some EU countries, especially Greece, have seen the growth rate of their production of intermediate material declining as a result of national environmental policies that restrict the development of extraction and processing activities. This came to the detriment of the EU competitiveness versus other producing countries which are not yet subject to such measures. Still, experts announce that such environmental policies could become more common in other big producing areas, as the demonstrated by recent preoccupations in India and China.¹⁵

2.3 Opportunities and threats

- + A stagnating EU production that does not meet the increasing domestic demands, therefore offering market openings for exporters from developing countries.
- + Technologies that becomes more accessible to developing countries and enable them to improve the quality of their production versus the lack of investment in mature EU countries.
- A capital intensive industry, which can challenge the development opportunities of smaller producers.
- The emergence of new producers that increase competition on the international market.
- A possible future constraint on the exploitation of new quarrying site due to environmental and social measures.

2.4 Useful sources

Below is a list of internet site with information on the EU consumption and production. The name of major players are listed in the in the CBI market surveys covering the natural stone in individual countries.

¹⁴ Source: <http://eurasian.com/articles/2003/week28.html>

¹⁵ Source: Stone 2006, World Marketing Handbook

- <http://www.stonereport.com/>

An information portal on the stone industry and products.

- <http://www.stoneinfo.com/index1.html>

An information portal on the stone industry and products.

- <http://www.litosonline.com>

A site with information on trends in the stone industry and international trade fairs.

- <http://www.euroroc.net>

The site of the European and International Federation of Natural Stone Industries

- <http://www.immcarrara.com>

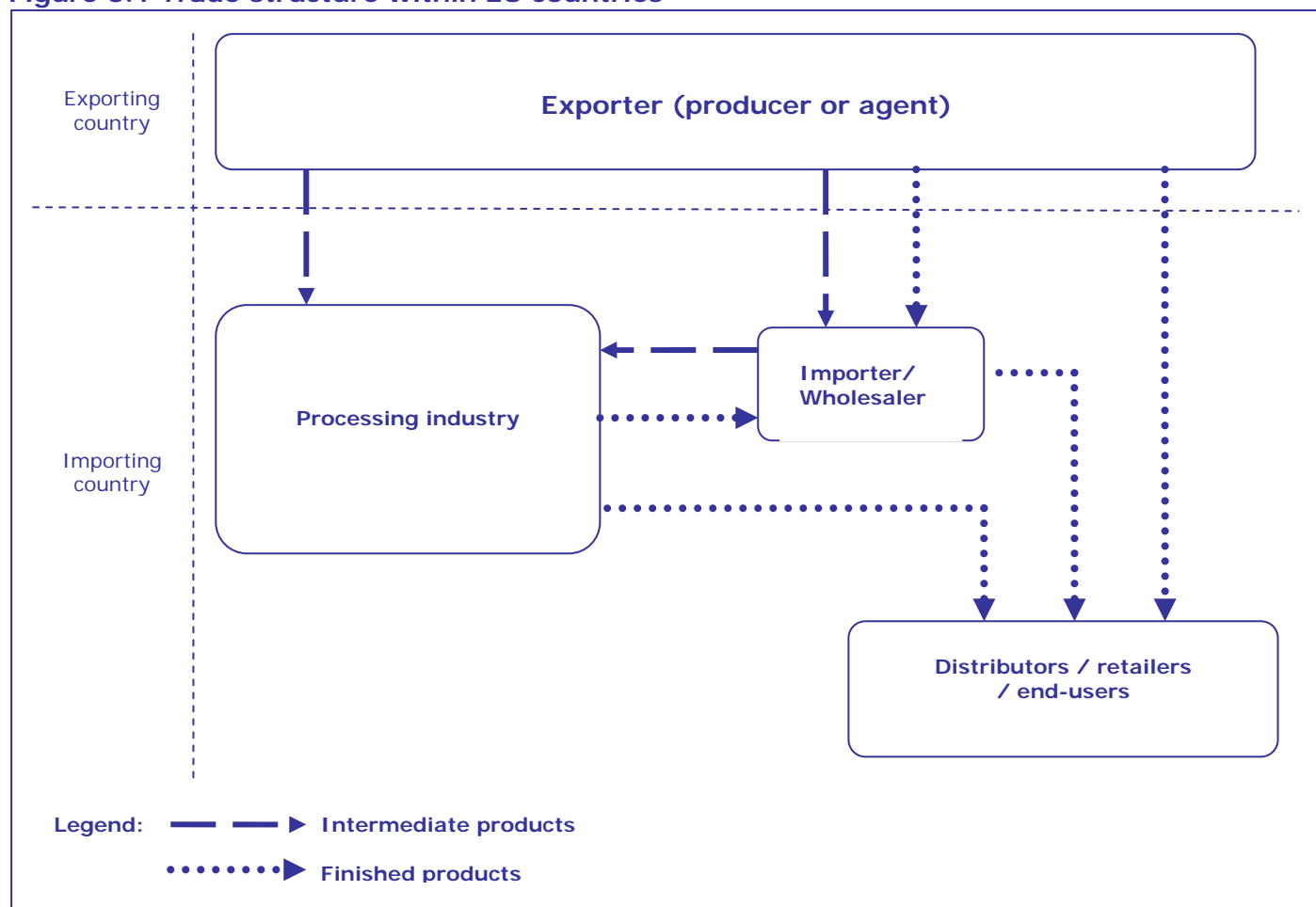
A information source on the world stone sector (trends, products)

3 Trade channels for market entry

3.1 Trade channels

The route from the producer of natural stone to the ultimate consumer varies with the type of product. Figure 3.1 below presents an overview of the product flows from producer to consumer for the different kind of product groups set out in chapter 1.

Figure 3.1 Trade structure within EU countries



Here is a typology of the trade channel players that the exporter from developing countries will encounter in the EU:

- **Importer / Wholesaler**

The natural stone sector can be characterised as open and straightforward, and most of the importers / wholesalers in the marketplace know each other. They often stocks the materials (intermediary or finished stone products) by container/truck load, and sells locally through established stone manufacturers (the processing industry), distributors, retailers, contractors or architects, by the pallet, box, or bundle. Recently, it has also become more common for contractors, and even retailers or architects to import directly, however, still on a limited scale. Some examples of EU importers are given below:

- Antolini Luigi & C is a large wholesaler / producer in Italy. This firm has its own quarries but also buys raw blocks around the world and processes these blocks into slabs, or finished goods such as tiles for flooring or cladding, kitchen counter tops, stairs etc which are sold world-wide. The company buys all sorts of

raw blocks (siliceous and calcareous) from almost all natural stone producing countries but does not buy finished goods.
(Website: <http://www.antolini.com/>)

- The R.E.D. group consists of eight producing companies in the principal producer countries, several agencies and five sales companies with offices and stockyards in Italy, Spain, France, Belgium, and Germany. The R.E.D. group also invests in quarry operations in developing countries and buys raw blocks from natural stone producing countries.
(Website: <http://www.redgraniti.com/en/>)
- In The Netherlands, the largest importer is Natuursteen Holland B.V. which purchases from developing countries products such as are granite, marble, slate, and quartzite. It is also a big importer of intermediate inputs (i.e. blocks and slabs) and finished goods (i.e. tiles for flooring and cladding and garden art). The main developing countries with which the company keeps close trading relations are India, Brazil, and South Africa. As for all European importers, the price/quality ratio of the product (including packing) stands out as the most important factor influencing the purchase decision.
(Website: <http://www.natuursteen-holland.nl/>)

Please also refer to the CBI market surveys covering the market in individual EU countries for more examples of importers/wholesalers.

• Distributor

In general it is difficult to differentiate between the distributor and wholesaler/importer since the most common situation in the EU is that importers/wholesalers largely also distribute and retail stone. The distributor's role is to warehouse the stone, and to have a showroom and/or sales representative in order to show and sell stone to the retailers, stone manufacturers, and contractors. The main challenges for a distributor is to control stocks of tile, slab, and other stone products, while also mixing and matching shipments of stone. In addition, predicting and having the right stock, colour, size, and quantity a buyer might want is a challenge all distributors face. As suppliers in the EU have grown in recent years, competition has been increasing, which also has affected the price of stock. However, the quality or selection of stone also largely influences the level of prices, and when new stone of similar colour enter the market not well known before in the market place, the pricing of stone becomes more difficult and competitive.

• Processing industry

The processing industry consists of medium or large companies such as tile manufacturers or stonemasons. They produce finished goods such as tiles, tombstone, and custom-made kitchen countertops. While in Southern Europe, every village has approximately two stonemasons and the craft is more traditional, the processing industry in Northern Europe is much more channelled and standardised. Large firms in the processing industry are likely to import blocks or slabs of natural stone themselves while small firms are more likely to purchase blocks or slabs of natural stone from wholesalers/importers or distributors. Due to a long history of natural stone exploitation and possession of sawing machines, the Italian and Spanish processing industries are traditional big importers of Blocks and Slabs.

• Retailer/end-user

Retailers (garden centres, Do-it-Yourself stores...) and end-users (building contractors, undertaker, stone masons) usually get stone samples from, and order stone from the wholesaler/importer and distributors. This allows them to access an extensive range of stone and benefit from extra services such as just-in-time-delivery. Therefore exporters from developing countries rarely deal with this trade channel. Moreover, up to now European retailers did not have a big offer of natural stone. But because of the growing competition, some retailers are starting to devote more space in their showrooms to display stone, and

present stone that fit their clients' specific demands such as colours, rustic stone, patterns and designs, trim pieces, etc. Currently, this trend remains a very limited option for exporters from developing countries

• Internet

Exporters should also realise that the Internet is becoming an important medium in trade of natural stone. Through Internet prospective buyers can assess over 1,700 types of natural stone, and prices and direct orders can be placed. The Internet provides the opportunity to buy directly from the exporter. Though, buying through the Internet is not optimal yet, there is a risk of getting low quality products.

Distribution channels for developing country exporters

For both intermediate inputs and finished goods of natural stone, the most appropriate distribution channel for exporters from developing countries (the quarry owner, processor, or trader) is the wholesaler channel. In both segments (intermediate inputs and finished goods) the wholesaler channel accounts for the largest turnover. The other distribution channels, e.g. the processing industry and the retailer/end-user, mainly work through wholesalers. Moreover, EU retailers are difficult to access because they are scattered and also buy lower volumes.¹⁶ Recently, it has been noted that some of the biggest exporters from developing countries are setting up their own warehouses in other countries to be closer to their clients and also make sales of small quantities instead of having to sell only full trucks or containers. There are now many warehouses of granite companies in the different cities in Italy, Spain, Portugal, France, The Netherlands and Poland.¹⁷

In any circumstances, because of the very strong competition in EU markets, natural stone producing developing countries will have to base their competitiveness in value added natural stone products on one of the following aspects:

- Exclusive type of stone or rare colour;
- Excellent quality of natural stone resources (meeting exact sizes and excellent polishing);
- Low-cost local inputs (notably natural stone and labour) to compensate for the high costs of imported inputs (sawing installations, polishing installations);
- Higher total productivity (measured across all factors of production i.e. natural resources of stone, labour, capital, and knowledge);
- Superior quality of products (including design); and
- Fulfilment of delivery criteria (always deliver in time), and packaging and labelling requirements.

The natural stone market is very much characterised as open, highly competitive, and with prices constantly being pushed down. EU importers therefore prefer to be flexible in their decision on which supplier to use and not to be tied to a specific exporter. It is, therefore, important that exporters from developing countries are strongly proactive and present themselves in the EU market by visiting trade fairs, and EU importers. It should also be noted that EU importers largely prefer long-term business relationship that allows for decreasing the risk of bad quality products or problems with delivery. Therefore, exporters from developing countries should also try to establish long-term relationships with EU importers/wholesalers.

Important trend: the effect of globalisation on the trade channel

The effect of globalisation on the trade structure chain has increased its influence over the last few years: because of fiercer international competition, increasing automation of technology, and of the introduction of information and communication technology that eliminates distance, traditional roles are changing. The productive chain is no longer simply located in the production area but opens up and goes beyond its narrow local roots to gain the productive

¹⁶ Source: Indian Stone

¹⁷ Source: <http://eurasian.com/articles/2003/week28.html>

advantages of other areas and try to make them its own. The chain gets more complicated and redefines market roles. For example, stone are extracted in one country, which was the main contractor in a second country, processed in a third country and installed by labour from a fourth country. This trend is just beginning. The availability of technology, communication, capitals and labour that can be shared between different countries will make such processes ever more widespread.¹⁸ For producers for developing countries, this can have different consequences:

- a role limited to extraction while larger actors move down the supply chain and invest locally in processing and trading activity,
- an increased difficulty to defend their stakes not only in exports markets, but also locally as new actors come in,
- but also, an opportunity to increase cost competitiveness more, for example, by delocalising the stone processing.

3.2 Price structure

Different trade channels mean different export prices and margins for your natural stone and natural stone products. The market prices for natural stone and natural stone products are not set by any (inter)national organisations or institutions. Prices are set in individual deals and contracts between suppliers and buyers. The price the consumer pays generally consists of the following components:

Production cost price, including transport to port (i.e. FOB)

- + Transportation and insurance costs (i.e. CIF)
- + Other costs (Storage, banking, marketing)
- + Import duties

Landed Cost price

- + Margin Importer, Wholesaler, distributor, end-user or Retailer
- + Value Added Tax (VAT)

Consumer price

For the exporter, the initial production costs can be divided into: fixed capital (land and building, machinery, rent), working capital (labour, raw materials, utility costs, other contingency costs) and government taxes and rents (royalties to exploit the quarry). Then, value is added within the trade channel from the logistics and services provided in this supply chain. These functions range from distribution and repackaging to sawing, and processing activities.

The margin for the exporter and the other intermediaries in the trade channel are difficult to determine, because they are influenced by many factors, such as:

- o The size of the order (the larger the order, the smaller the margin);
- o The length of the trade channel;
- o The quality and exclusivity of the product (exclusive products allow for high margins);
- o Availability of the product;
- o Added value deriving from the processing operations such as cutting, sawing, polishing, carving etc... (a custom-made kitchen countertop will have a higher margin than a standard tile).

As an example, most of the polished granite tiles from India in the size of (40 x free length x 1.5) are sold by the manufacturer in the price range of 25-35 euros/m², FOB. Then the following margins usually apply through the trade channel:

¹⁸ Source: www.Immacarrara.com

Intermediary	Margin
Wholesaler	30-35%
Retailer / Stonemason	40-50%

Source: Indian stone

This means that the consumer can pay between 45 and 70 euro per m2 of polished granite tiles from India. This price range is only an indication since the type and quality of the stone and the number of intermediaries in the trade channel can increase or decrease this price even more.

It is important to note that the increasing international competition presses the prices down and reduces the exporter's margin. In order to ensure the profitability of their businesses, exporters are pushed to offer more selective products (if possible), or more frequently to increase the efficiency of their production unit and/or go for more volume. This means that in some countries where companies did not reinvest in becoming bigger, companies slowly found themselves to be in a situation of low margin-low volume production, thus eroding competitiveness and threatening survival.

3.3 Useful sources

The names and websites of interesting players as well as sources to find those players are given in the country surveys.

- **Sources for trade information**

- <http://www.marbleandmore.com>
- <http://www.findstone.com>
- <http://www.worldstonex.com/en/home.asp>
- <http://www.123stone.com/>
- <http://www.stonecontact.com/default.asp>

- **Sources of price information**

- <http://www.marbleandmore.com>
- <http://www.findstone.com>
- <http://www.barefootfloor.com/>
- <http://www.stone-network.com/>
- <http://www.stoneource.com/>

4 Trade: imports and exports

Note: Because of unavailable data, this chapter does not take account the possible impacts of re-export on the imports and exports flows to and within the EU.

4.1 Total EU imports

In 2005, the EU imported € 3.242 million of natural stone, which represents 15.228 thousand tonnes. The European top 5 importers in value are Italy (17% of total EU imports of natural stone), Germany (16%), the UK (15%), France (13%) and Spain (9%). Those countries represent 70% of the total value of natural stone imports to the EU. The next five importers are Belgium (8%), The Netherlands (6%), Austria (3%), Ireland (3%) and Denmark (2%). These 10 largest importers account for about 92% of the imports to the EU25.

**Table 4.1 EU Imports of natural stone
2002-2005, € million / 1,000 tonnes**

	2002		2003		2004		2005		Average annual % change in value
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	
Total EU import, of which									
EU15 Import	13,870	2,678	13,582	2,672	14,947	2,949	15,228	3,242	6.5
EU10 import	13,870	2,678	13,582	2,672	14,305	2,809	14,184	3,044	4.5
Total EU import from	n.a.	n.a.	n.a.	n.a.	641	140	1,044	199	42*
Intra EU15	6,945	1,390	6,184	1,386	6,040	1,392	5,930	1,462	2
Intra EU25	7,421	1,441	6,689	1,438	6,374	1,430	6,293	1,501	1
Extra EU ex. DC*	1,959	187	1,860	167	2,216	168	1,882	172	-3
From developing countries's	4,490	1,050	5,034	1,067	6,356	1,352	7,053	1,569	15
From developing countries of EU 15**	32	39	37	40	44	48	50	52	
From developing countries of EU 25**	n.a.	n.a.	n.a.	n.a.	43	46	46	48	

Developing countries, **In percentage; n.a.: not available

** Value calculated for the 2004-2005, and not for 2002-2005

Source: Eurostat (2006)

At EU25 level, over the years 2002 -2005, the EU import increased annually on average by 6.5%. This very good result needs to be analysed at two levels.

- First at the level of the EU15: those countries underwent a yearly import increase of 4.5% over this 4-year period. This positive trend has been accentuated over this period since it went from a stagnation between 2002-2003, to a 5% increase between 2003-2004 and then to a progression of 8.5% between 2004-2005. This demonstrates the progressive but persisting recovery of the EU stone industry after the slow down of the years 2001-2002.
- Second at the level of the 10 new member states: this group of country increased their imports by 42% between 2004 and 2005 (note: non Eurostat figures for those countries before 2004). This illustrates the dynamism of the natural stone sector in those countries where the construction sector is strongly pulling the demand.

Over 2002-2005, the top 10 importers within EU 25 have increased imports annually by about 4.3%, and the top 5 importers by 3%. The inferior performance of the top 5 importers is due to the fact that the trade flows toward some of the main importers have stagnated (Italy: 0.2%) or even decreased (Germany: - 4.8%), which illustrates the difficulties in some traditional big stone countries. On the other hand, the UK have had a yearly progression of 14% on average.

The evolution of EU imports of natural stones is linked to the increase in the consumption of natural stones products in most of the EU markets (see Chapter 1) and the incapacity of EU producer to meet the local demand.

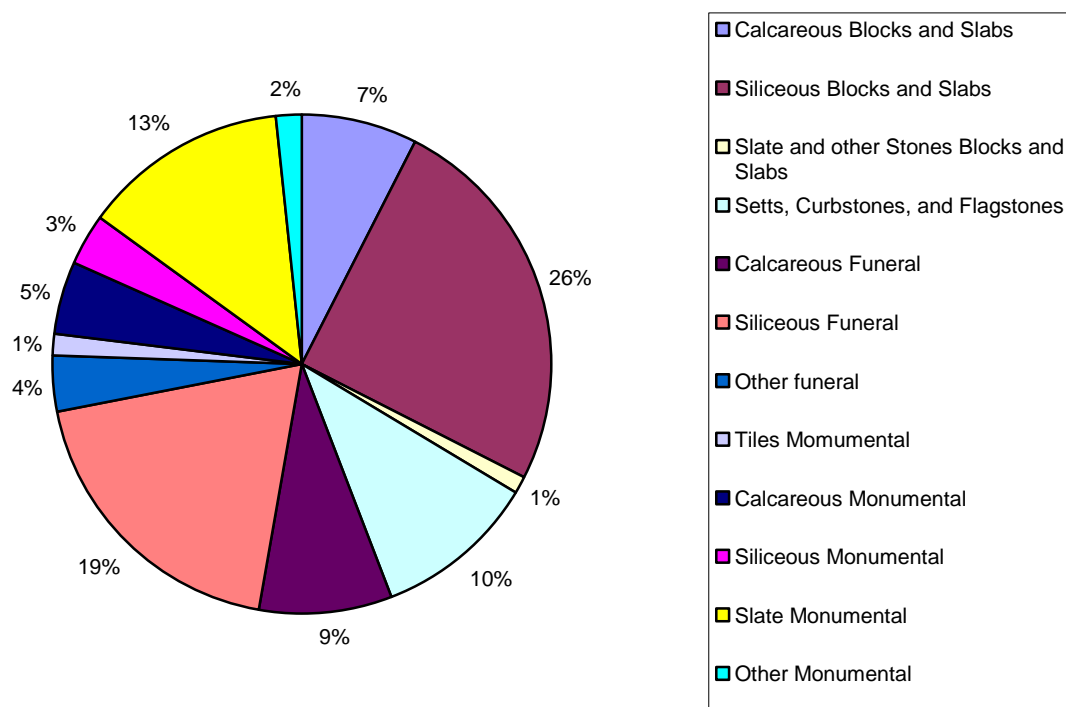
4.2 EU imports per product group

Imports of natural stone per product group and nature of stone in the EU are illustrated in Figure 4.2 below.

EU25 mainly imports intermediate products: blocks and slabs represent 35% of all EU imports, of which siliceous stone are the most demanded product (74% of this product group). Second largest import group are funerary products (31% of EU imports), of which 61% of siliceous stone. The third largest group is Floorings and Claddings products (24% of EU imports) of which 54% comprises slate stone. The landscape design products represent 10% of natural stone imported to EU25. These shares have been constant over the last 4 years.

As a whole, EU imports mainly siliceous stone (47%), then calcareous stone (21%), followed by slate (15%) and other nature of stone (17%). Since 2002, imports of siliceous stone have increased at a slightly faster rate than imports of calcareous stone.

Figure 4.2.1 Natural stone products import to EU 25, 2005, share in % of value



(Source: Eurostat, 2006)

The following tables list the leading suppliers of natural stone to the EU per product group. As a whole, the top 5 exporters of natural stone to the EU represented 88% of the imported value in 2005. Those countries are:

- China: 35%
- India: 25%
- Brazil: 11%
- Turkey: 10%
- South Africa: 7%

Since 2000, China has registered a significant growth of its imports to the EU and has thereby outpaced India. One of the reasons for this important increase of China as a key exporter to the EU is the development of a competitive processing industry, using raw natural stone that are either locally extracted or imported from other developing countries, and then exported as finished products to the EU. China is characterised by the fact that finished products represent the large majority of its exported value to Europe (90%) whereas this share is smaller for other large exporters: Turkey (63%), India (52%), Brazil (37%) and Egypt (32%).

The success of China in trading finished products is symptomatic of the growing importance of the price competitiveness: to this end, developing countries do have an undeniable cost advantage over their direct competitors approaching the EU markets. Finished products processed "at the mine hole" are highly competitive on the global market and producers from developing countries with the adequate technology, more and more available to anyone, and exporting capacity can find significant market openings.

The main geographical zones competing on the EU market of natural stone are developing countries and the EU itself.

The share per product group of intra-EU suppliers is the following (in 2005, in value):

- 67.3% of flooring and cladding products (Spain is the major EU supplier with almost 42% of the intra-EU imports).
- 51.0% of funeral stone, with Italy representing with 26.2% of EU imported value.
- 36.5% of landscape design products.
- 30.0% of blocks and slabs products.

The share per product group of developing countries of EU imported value is the following (in value, in 2005):

- 62.5% of Landscape design products, of which China provides more than half.
- 60.0% of Blocks and Slabs, of which 60.0% originates in India, China and South Africa.
- 47.0% of Funeral stone, of which 77.5% originates in China and India.
- 28.3% of flooring and cladding products, of which 77% originates in China, Brazil, Turkey and India.

Table 4.2.1 EU imports and leading suppliers for Blocks and Slabs
2002 - 2006, share in % of value

	2002 € mln	2003 € mln	2004 € mln	2005 € mln	Leading suppliers to EU in 2005 Share in %	Share (%)
Total EU import, of which	1,071	988	1,064	1,092		
EU15 Imports	1,071	988	1,015	1,023		
EU10 imports	n.a.	n.a.	49	69		
Total EU import from						
Intra EU25	343	328	338	328	Spain (8.8%), Italy (4.6%), Belgium (3.7%), Portugal (3%), Germany (1.8%)	30
Extra EU ex. DC*	137	119	113	111	Norway (7.2%), Switzerland (0.7%), USA (0.6%), Canada (0.5%), Bulgaria (0.4%)	10.1

From developing countries	590	542	612	654	India (16.7%), Brazil (9.6%), South Africa (9%), Turkey (5.2%), China (5%), Zimbabwe (2%), Egypt (1.7%), Angola (1.5%), Iran (1.3%), Saudi Arabia (1%)	59.9
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Source: Eurostat (2006)

*Developing countries; n.a.: not available

Table 4.2.2 EU imports and leading suppliers for Landscape design
2002 - 2006, share in % of value

	2002 € mln	2003 € mln	2004 € mln	2005 € mln	Leading suppliers to EU in 2005 Share in %	Share (%)
Total EU import, of which	239	256	277	340		
EU15 Import	239	256	274	335		
EU10 import	n.a.	n.a.	3	5		
Total EU import from						
Intra EU25	118	116	101	124	Belgium (7.5%), Fr Germany (6.6%), Portugal (5.7%), Italy (5.5%), The Netherlands (3%)	36.5
Extra EU ex. DC*	3	4	2	4	Israel (0.2%), USA (0.2%), Hong Kong (0.1%), Bulgaria (0.1%), Norway (0.1%)	1.1
From developing countries	117	136	174	212	China (37.7%), India (14.3%), Turkey (3.7%), Argentina (2.9%), Brazil (1.8%), Vietnam (1.1%), Croatia (0.2%), Ukraine (0.1%), Mexico (0.1%), Tunisia (0.1%)	62.5

Source: Eurostat (2006)

*Developing countries; n.a.: not available

Table 4.2.3 EU imports and leading suppliers for Cladding and Flooring
2002 - 2006, share in % of value

	2002 € mln	2003 € mln	2004 € mln	2005 € mln	Leading suppliers to EU in 2005 Share in %	Share (%)
Total EU import, of which	618	640	715	793		
EU15 Import	618	640	690	761		
EU10 import	n.a.	n.a.	25	32		
Total EU import from						
Intra EU25	495	503	503	533	Spain (41.9%), Italy (9.5%), Belgium (2.7%), Germany (2.6%), Utd Kingdom (1.9%)	67.3
Extra EU ex. DC*	28	27	32	35	Canada (2%), Norway (0.7%), Israel (0.5%), USA (0.3%), Switzerland (0.3%)	4.4
From developing countries	95	110	180	225	China (9.7%), Brazil (5.4%), Turkey (5.1%), India (4.5%), Vietnam (1%), Egypt (0.5%), For. Rep. Mac (0.4%), Syria (0.3%), Iran (0.2%), Indonesia (0.2%)	28.3

Source: Eurostat (2006)

*Developing countries; n.a.: not available

Table 4.2.4 EU imports and leading suppliers for Funeral and other arts
2002 - 2006, share in % of value

	2002 € mln	2003 € mln	2004 € mln	2005 € mln	Leading suppliers to EU in 2005 Share in % (of total import)	Share (%)
Total EU import, of which	751	788	893	1,017		
EU15 Imports	751	788	829	924		
EU10 imports	n.a.	n.a.	63	93		
Total EU imports from						
Intra EU25	485	491	488	516	Italy (26.2%), Spain (7.5%), Belgium (3.5%), Fr Germany (2.9%), Portugal (2.9%)	50.7
Extra EU ex. DC*	19	17	20	24	USA (0.8%), Switzerland (0.5%), Taiwan (0.2%), Israel (0.2%), Romania (0.2%)	2.3
From developing countries's	247	280	385	478	China (25.4%), India (11%), Turkey (4.5%), Brazil (1.3%), Vietnam (0.8%), Croatia (0.6%), Indonesia (0.5%), Egypt (0.5%), Syria (0.3%), Pakistan (0.3%)	47.0

Source: Eurostat (2006)

*Developing countries; n.a.: not available

Please note that imports by individual member states per product group are given in the CBI market surveys covering the natural stone in individual countries.

4.3 The role of developing countries

In 2005, developing countries exported € 1,569 million of natural stone to EU, (7,053 thousand tonnes) representing 49.1% of all imports. The 5 major EU importers relied for 58% on developing countries. Table 4.3 below ranks the EU countries with regards to the natural stone they import from developing countries.

Table 4.3 Imports of natural stone from developing countries
2002-2006, € million / 1,000 tonnes

	2002		2003		2004		2005		Average annual % change in value*
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	
Total EU Imports, of which	4,490	1,050	5,034	1,067	6,356	1,352	7,053	1,569	14.2%
EU15 imports	4,490	1,050	5,034	1,067	6,172	1,313	6,708	1,493	12.3%
EU10 imports	n.a.	n.a.	n.a.	n.a.	184	38	345	76	n.a.
Italy	1,754	371	1,780	335	1,994	375	1,954	387	20.4%
United Kingdom	260	98	350	112	633	186	721	216	8.8%
Germany	697	158	729	152	753	173	843	204	1.4%
Spain	558	128	606	130	704	155	774	185	29.6%

Belgium	355	85	493	106	662	134	754	155	35.1%
The Netherlands	237	61	329	67	547	93	621	107	17.6%
France	177	50	205	55	224	60	262	70	20.6%
Greece	194	30	273	39	325	46	358	52	-11.0%
Ireland	33	15	45	19	72	27	98	38	12.9%
Denmark	58	19	67	19	92	24	114	30	22.0%
Austria	47	14	55	15	61	19	79	24	19.5%
Sweden	48	7	46	7	43	6	62	9	7.8%
Portugal	47	10	33	8	31	8	27	7	27.4%
Finland	22	3	15	2	25	4	32	6	20.3%
Luxembourg	4	1	8	2	7	2	9	2	21.6
Malta	n.a.	n.a.	n.a.	n.a.	2	1	4	1	99.1
Estonia	n.a.	n.a.	n.a.	n.a.	2	1	3	1	103.2
Latvia	n.a.	n.a.	n.a.	n.a.	2	1	5	1	75.8
Lithuania	n.a.	n.a.	n.a.	n.a.	8	2	13	3	67
Poland	n.a.	n.a.	n.a.	n.a.	106	21	220	47	119.1
Czech Republic	n.a.	n.a.	n.a.	n.a.	7	2	11	4	73.7
Slovakia	n.a.	n.a.	n.a.	n.a.	4	1	6	2	67
Hungary	n.a.	n.a.	n.a.	n.a.	31	4	42	7	65.5
Slovenia	n.a.	n.a.	n.a.	n.a.	8	2	10	3	54.8
Cyprus	n.a.	n.a.	n.a.	n.a.	15	4	30	7	83.9

* For the 10 new member states, this percentage only represents the change between 2004 and 2005

n.a.: not available

Source: Eurostat (2006)

The major importers of natural stone from developing countries in the EU are Italy (25% of the total EU 25 imports in 2005), the UK (14%), Germany (13%), Spain (12%) and Belgium (10%), and to a lesser extend The Netherlands (7%) and France (4%).

The 10 new member states together only accounted for 5% of total EU25 imports from developing countries (Poland alone representing 3% and therefore being in the EU25 importers top 10). Therefore, the exponential increase of their import between 2004 and 2005 shown in this table should be put into perspective since the size of their demand remains proportionally small.

The overall increase in imports of natural stones to the EU (yearly average of 4.5% in the EU15, see chapter 4.1) has benefited mainly the trade between developing countries and Europe. The imports from developing countries to the EU has undergone a yearly increase average of 14.2%, while the trade with other partners either from other EU 25 countries (Intra EU) or third party countries (Extra EU) barely has increased.

This average annual % increase in imports from developing countries of 14.2% may look significant, but it hides important differences on:

1) a temporal level: In 2002 and 2003 the imports from developing countries to the EU almost stagnated (1.6%), in 2004 they highly increased (+26.6%), and maintained a good growth in 2005 (16.1%) but at a lower pace, while the imports from other sources EU25 regained strength (5%).

2) a geographical level: The average yearly increase over 4 years of the biggest EU importer of natural stones from developing countries, Italy, is of only 1.4% while the one of the UK, the 2nd biggest importer is of 30%. Those country specificities are further described in the CBI market surveys covering the natural stones in individual countries.

Amongst the top 10 EU importers of natural stones from developing countries, some countries have constantly increased the share of imports with those partners, with an average yearly increase of more than 20% for Ireland (35%), the UK (32% as mentioned before), Belgium

(22%) The Netherlands and Greece (both about 20%). Other countries have undergone a more limited increase: Spain (13%), France (11.6%), Germany (9%) and Italy (1.4%).

Note: the imports per product group per member states are given in the CBI market surveys covering the natural stone in individual countries.

4.4 Exports

In 2005, the EU25 exported 10,885 thousand tonnes of natural stone, representing a value of € 3,697 million. Half of the EU exported value remained within the EU25; 15% was exported to developing countries and 35% to other countries. The overall exports from EU have been stagnating over 2002-2005.

The largest EU exporters are (in value, in 2005):

- o Germany (28%)
- o France (18%)
- o UK (10%)
- o The Netherlands (7%)
- o Spain (5%)

**Table 4.4 EU Exports of natural stone
2002-2006, € million / 1,000 tonnes**

	2002		2003		2004		2005		Average annual % change in value
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	
Total EU exports of which									
EU15 exports	10,188	3,784	9,927	3,514	10,511	3,595	10,885	3,698	-1
EU10 exports	10,188	3,784	9,927	3,514	10,095	3,548	10,292	3,627	-1
	n.a.	n.a.	n.a.	n.a.	416	47	592	72	n.a.
Total EU exports to									
Intra EU15	5,660	1,751	5,312	1,663	5,515	1,696	5,780	1,737	0
Intra EU25	6,035	1,867	5,734	1,781	5,907	1,805	6,155	1,850	0
Extra EU ex. DC*	2,000	1,366	1,811	1,217	1,922	1,260	1,993	1,282	-2
From developing countries	2,152	550	2,383	517	2,682	531	2,736	566	1
To developing countries's in % (of EU 15)	21	15	24	15	27	15	27	16	
To developing countries's in % (of EU 25)	n.a.	n.a.	n.a.	n.a.	26	15	25	15	

*in percentage; n.a.: not available

Source: Eurostat (2006)

Interestingly, Italy, one of the largest EU exporters in 2002 with more than half of the EU15 exports, only ranked number 8 in 2005 representing only 4% of EU25 exports as a result of the crisis of its stone industry.

The most exported products from EU are funeral products (46.3% of the total exported value in 2005), Floorings and claddings (29.3%), Blocks and slabs (15.3%) and Setts (9.1%).

4.5 Opportunities and threats

- + Because of competitive prices and improved quality, the share of developing countries in natural stone products in the EU imports is increasing to the detriment of traditional suppliers. This increase is significant in some of the big EU importing countries.

- + Developing countries are increasingly becoming important suppliers of finished products to the EU, while traditionally intermediate products used to be the main source of trade. This demonstrates the capability and know-how of developing countries in delivering qualitative finished products.
- Some of the bigger EU importers are undergoing a crisis. Their decreasing imports can heavily affects the trade flows of developing countries.
- The trading capacities of developing countries with the EU can be constrained by outdated carrying and processing technologies: this is one of the reasons why even a country such as China has seen the growth of its stone industry slightly declining in 2005.
- Because of the increasing globalisation of the natural stone industry, the most powerful players of the industry are diversifying their roles, moving down the production chain. This can limit the role of producers from developing countries to extraction activities.

4.6 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
→ go to 'external trade'
→ go to 'data – full view'
→ go to 'external trade - detailed data'
- <http://www.immcarrara.com/stat/english-version/index-en.html>

An information source on the world stone sector, with statistical data and sector trends.

5 Price developments

5.1 Price developments

In general the average unit price level of natural stone and natural stone products has been falling due to an expanding supply fuelled by technical progress at an international level. The demand therefore drives the price down.

An analysis of price development of different natural stone product groups is difficult to establish since wide price fluctuations exist, with variations depending on product quality and changing preferences for different stone types and sizes. Pricing is highly dependent on the quality of the material, possible limited availability and/or higher production costs, making some type or colours of stone more expensive. Beyond the deflating influence of the growing international supply and the inflating influence of the demand for specific products, the analysis of average prices is also influenced by variations in exchange rates.

Looking at the EU as a whole, some broad price trends can be drawn. The average export price per tonne unit has dropped between 2002 and 2005 by 7% for intermediates stone products and by 6% for finished products. This price drop applies to all main EU stone countries for calcareous Blocks and Slabs (-10%). Still, the export prices of siliceous Blocks and Slabs or finished products of some countries have increased over the same period, contradicting this general declining trend: Italy and Spain have seen export prices of siliceous material rising and the export prices of Italian and French finished products have also been increasing.

Even bigger import price disparities exist between EU member states: the general trend is on the decrease, but hides large discrepancies. For example, the import price of calcareous Blocks and Slabs to Germany, France and Spain has risen by an average of 50%, while declining by 32% on average in Italy, Portugal and the UK. The import price of siliceous raw material has declined in most countries except for Germany and the UK. Finally, the import price of finished products to Germany and Portugal has increased, contrary to other countries, and especially in Italy.

It is important to note that export or import prices in absolute value varies significantly between countries. For example, the average price of exported raw materials from Germany can be up to 8 times lower than the average price of materials exported from the UK. Same goes for the finished products exported from Portugal which are about twice as low as finished products exported from France. The same applies to import prices. Those discrepancies are a direct illustration of the market specificities of the EU countries in terms of production, industrial demand and consumption.

Therefore, only a direct approach of importers and wholesalers will give exporters a precise indication of the value of its products. The CBI market surveys covering the natural stone in individual countries can be consulted for more detailed information.

Finally, it is crucial to note that there is a trend towards lower prices for natural stone coming from developing countries as a result of technical innovations in the quarrying and processing industry, better access to this technology, the low cost of labour and increased competition between developing countries. This has led to a significant decrease in price (per m² or piece) of natural stone and natural stone products originating from developing countries, which have subsequently 'flooded' the global and EU markets. In order to compete in the EU market DC exporters should be able to improve their production processes and technologies in order to remain competitive on the EU market. In comparison, the price of EU natural stone has not altered to such an extent over the past few years.¹⁹

¹⁹ Sources: Stone 2006, World Marketing Handbook; Eurostat; From quarry to graveyard, Crem et al., 2006

5.2 Useful sources

Directly approaching EU importer and wholesalers and visiting trade fairs is the best way getting price information on natural stone products. The following site provides an overview of price developments:

- <http://www.findstone.com/>
 - ➔ go to 'Price List' in the 'For buyers' section
 - ➔ Select the type of material, then scroll down to the targeted country.
- <http://www.stoneource.com/>
 - ➔ go to 'stone selector' in the left side
 - ➔ make a selection per material, price range or other criteria.

6 Market access requirements

As a manufacturer in a developing country preparing to access EU markets, you should be aware of the market access requirements of your trading partners and the EU governments. 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. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select natural stone and the EU in the category search, click on the search button and click on market access requirements.

Additional information on packaging can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packaging/packit.htm>

Information on tariffs and quota can be found at <http://export-help.cec.eu.int/>

7 Opportunity or threat?

In the last years, global growth of the stone industry, both in terms of production and demand, has played in favour of the developing countries. Some of them have indeed gained significant market shares thanks to their increased price competitiveness and the improvement of their products.

The current developments in the global and more specifically in the European stone industry are expected to continue and encourage exporters of developing countries to increase their presence on the EU markets, taking advantage of the stagnating EU production and its increasing and more diversified demand, especially at a time when the stone industry of some of the traditionally important European countries are facing a maturity crisis due to a lack of investment and promotion efforts.

Developing countries have actually already gained significant ground in the EU in not only intermediates, but also finished products. Such success stories have been recorded in recent years and confirm the increasing penetrability of the EU market for developing country exporters which are now able to offer a wider range of products.

Still, globalisation is transforming the stone industry at a fast pace. As a result, advanced technology is broadly available to most of the players, producers worldwide are in direct competition, and prices and margins are decreasing. Also, the traditional roles within the trade chain are changing towards more complexity: the big players, processors or wholesalers are moving up the supply chain and increasing their control on the production level.

In this context, the developing countries that have increased their presence in the EU demonstrated:

- o competitive prices
- o a bigger investment capacity in production and processing technology
- o an increased product quality, especially in the range of finished products
- o the potential to meet fast-moving, requirements in terms of product nature, colour, dimensions and finish (exclusive types of stone or rare colours prove to be one of the main competitive tools for the developing country exporter)
- o a real pro-activity in finding and maintaining business relationship with EU partners and serious investment in commercial efforts
- o a constant professionalism demonstrating the ability to fulfil quality, packaging, and delivery criteria

Given the current trends in the EU natural stone market, such prerequisites are increasingly important for exporters who want to access the EU markets. Therefore, if the usual terms of the international competition (price, timing and supplying methods) still operate, newcomers in the EU market should also be ready fit in with a high risk scene, which demands a scale size, an operating efficiency and the ability to float in conditions that are much more unstable and unsettled than in the past.

This overview of the ideal conditions that exporters from developing countries should gather in order to ensure long term profitability when trading with the EU should of course be put into perspective by looking at specific situations: the same development or trend can be an opportunity for one exporter and a threat for another. Exporters should, therefore, analyse whether the developments and trends discussed provide opportunities or threats and make the decision to export to the EU.

Appendix A Product characteristics

• Product Groups

The natural stone products discussed in this survey consist of the following four groups:

- o **Blocks and Slabs**; whether or not roughly trimmed or merely cut, by sawing or otherwise;
- o Natural stone products with a flat or even surface used for **Flooring & Cladding** (such as square tiles);
- o Natural stone products used for urban or rural **Landscape Design** (such as setts, curbstones and flagstones);
- o Natural stone products used for **Funeral and Other Art** (such as tombstones and garden decorations).

This segmentation covers all natural stones excluding:

- o by-products of the natural stones quarrying industry (crushed stones for example)
- o mineral
- o derived substances (macadam for example)
- o millstones

The nature of the stones is defined as followed:

- o Calcareous: for example marble, travertine, Ecaussine and alabaster
- o Siliceous: for example granite and sandstones
- o Slate
- o Other

Due to inherent differences in the segmentation to the two databases used to complete this market survey, two product segmentations have been used, the first one to analyse production and consumption (based on Prodcom codes), the second one to analyse imports and export (based on HS codes). Because the HS codes segmentation is more detailed than the Prodcom segmentation, and because its figures are considered more reliable, the segmentation of reference used for this market survey is based on the HS codes (see below).

• Import / Export segmentation

In the import & export segmentation as in the second one described below, the intermediate products category contains only one products group: blocks and slabs since those 2 products are most frequently aggregated in statistical databases and since providers of those 2 products are in most instances the same.

In the import & export segmentation, the finished products category is composed of the 3 products groups:

- o Landscape Design,
- o Flooring and Cladding
- o Funeral and Other Art

This segmentation characterises most of the products by the nature of the stones they are composed of (calcareous, siliceous, slate, and other). This is not the case for the landscape design stones. The same applies to tiles within the Flooring and cladding product group. Therefore, the analysis of data on the basis of the nature of the product can only lead to a partial overview of the natural stones market. The segmentation used for this survey, therefore, focuses on the final use of the natural stones, as specified by the product groups name, and will whenever appropriate and possible give further information on the specific nature of stone.

Product category	Products group	Products	Products definition	HS codes
Intermediate products	Blocks and Slabs	Slate and others stones	Slate, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	HS 251400
		Calcareous	Marble and travertine, crude or roughly trimmed	HS 25151100
			Marble and travertine, crude or roughly trimmed, Merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	HS 251512
			Ecaussine and other calcareous monumental or building stone; alabaster whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular shape	HS 25152000
		Siliceous	Granite, crude or roughly trimmed	HS 25161100
			Granite, crude or roughly trimmed, merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape (excl. with the characteristics of setts, curbstones and flagstones)	HS 251612
			Sandstone, crude or roughly trimmed (excl. with the characteristics of setts, curbstones and flagstones)	HS 25162100
			Sandstone, merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape (excl. with the characteristics of setts, curbstones and flagstones)	HS 25162200
			Other siliceous monumental or building stone, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	HS 251690
Finished / worked products	Landscape Design	Setts, curbstones and flagstones, of natural stone (excl. Slate)	Setts, curbstones and flagstones, of natural stone (excl. Slate)	HS 68010000
	Flooring and Cladding	Tiles	Tiles, cubes and similar articles, whether or not rectangular (including square), the largest surface area of which is capable of being enclosed in a square the side of which is less than 7 cm; artificially coloured granules, chippings and powder	HS 680210

Product category	Products group	Products	Products definition	HS codes
		Other monumental or building stones- Calcareous	Marble, travertine and alabaster articles thereof, simply cut or sawn, with a flat or even surface	HS 68022100
			Other calcareous stone and articles thereof, simply cut or sawn, with a flat or even surface	HS 68022200
		Other monumental or building stones- Siliceous	Granite and articles thereof, simply cut or sawn, with a flat or even surface	HS 68022300
		Other monumental or building stones- Slate	Worked slate and articles of slate or of agglomerated slate (Excl. Slates granules, chippings and powder, mosaic cubes and the like, and ready-to-use slates to boards with writing or drawing surfaces)	HS 680300
		Other monumental or building stones- other	Monumental or building stone and articles thereof, simply cut or sawn, with a flat or even surface (excluding calcareous stones, granite and slate, with a completely or partly planed, sand-dresses, coarsely or finally ground or polished surface, tile, cub)	HS 68022900
	Funeral and Other Art	Calcareous	Marble, travertine and alabaster in any form, polished decorated carved or otherwise processed (excl. tiles, cubes and similar articles of subheading 680210, imitation jewellery, clocks, lamps and lighting fittings and part thereof, buttons, originals sculptures and statuary, setts, curbstones...)	HS 680291
			Other calcareous stone, in any form polished decorated carved or otherwise processed (excl marble, travertine and alabaster, tiles, cubes and similar articles of subheading 680210, imitation jewellery, clocks, lamps and lighting fittings and part thereof, buttons, originals sculptures and statuary, setts, curbstones...)	HS 680292
		Siliceous	Granite in any form, polished carved or otherwise processed (excl. tiles, cubes and similar articles of subheading 680210, imitation jewellery, clocks, lamps and lighting fittings and part thereof, buttons, originals sculptures and statuary, setts, curbstones...)	HS 680293
		Other stones	Monumental or building stone, in any form, polished carved or otherwise processed (excl. calcareous stone, granite and slate, tiles, cubes and similar articles of subheading 680210....)	HS 680299

• Consumption / production segmentation

The main difference between the previous segmentation and this one is that there are only two product groups in the finished products category: landscape design on one side (identical to the one in the Import/export segmentation), monumental buildings and funeral on the other side as an aggregate of the flooring and cladding and funeral stones of the first segmentation. As a consequence, the first chapter does not allow to determine the final use of this aggregated product group (see chapter 1.2) and does not provide details about the type of processes used for the related products (cutting or sawing for the flooring and cladding products, and polishing, decorated or craved). As a consequence, an exporter of flooring and cladding products and/or funeral art from DC will have to further investigate the consumption patterns of potential importing countries in order to confirm the opportunities spotted through the analysis of import trends (chapter 4).

The table below describes this segmentation as used in the production/consumption with the corresponding Prodcom/ HS codes.

Product category	Product group	Product	Product definition	HS codes	Prodcom codes
Intermediate products	Blocks and Slabs	Slate and others stones	Slate, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	HS 251400	14.13.10.00
		Calcareous	Marble and travertine, crude or roughly trimmed	HS 25151100	14.11.11.33
			Marble and travertine, crude or roughly trimmed, Merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	HS 251512	14.11.11.35 14.11.11.37
			Ecaussine and other calcareous monumental or building stone; alabaster whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular shape	HS 25152000	14.11.11.50
		Siliceous	Granite, crude or roughly trimmed	HS 25161100	14.11.12.33
			Granite, crude or roughly trimmed, merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape (excl. with the characteristics of setts, curbstones and flagstones)	HS 251612	14.11.12.35 14.11.12.37
			Sandstone, crude or roughly trimmed (excl. with the characteristics of setts, curbstones and flagstones)	HS 25162100	14.11.12.53

Product category	Product group	Product	Product definition	HS codes	Prodcom codes
			Sandstone, merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape (excl. with the characteristics of setts, curbstones and flagstones)	HS 25162200	14.11.12.56
			Other siliceous monumental or building stone, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	HS 251690	14.11.12.90
Finished / worked products	Landscape Design	Setts, curbstones and flagstones, of natural stone (excl. Slate)	Setts, curbstones and flagstones, of natural stone (excl. Slate)	HS 68010000	26.70.12.10
	Monumental, building stones and Funeral & Other Art	Tiles	Tiles, cubes and similar articles, whether or not rectangular (including square), the largest surface area of which is capable of being enclosed in a square the side of which is less than 7 cm; artificially coloured granules, chippings and powder	HS 680210	26.70.12.30
		Calcareous	Marble, travertine and alabaster articles thereof, simply cut or sawn, with a flat or even surface	HS 68022100	26.70.11.00
			Marble, travertine and alabaster in any form, polished decorated carved or otherwise processed (excl. tiles, cubes and similar articles of subheading 680210, imitation jewellery, clocks, lamps and lighting fittings and part thereof, buttons, originals SC	HS 680291	
			Other calcareous stone and articles thereof, simply cut or sawn, with a flat or even surface	HS 68022200	26.70.12.40

Product category	Product group	Product	Product definition	HS codes	Prodcom codes
			Other calcareous stone, in any form polished decorated carved or otherwise processed (excl. marble, travertine and alabaster, tiles, cubes and similar articles of subheading 680210, imitation jewellery, clocks, lamps and lighting fittings and part thereof)	HS 680292	
		Siliceous	Granite and articles thereof, simply cut or sawn, with a flat or even surface	HS 68022300	
			Granite in any form, polished carved or otherwise processed (excl. tiles, cubes and similar articles of subheading 680210, imitation jewellery, clocks, lamps and lighting fittings and part thereof, buttons, originals sculptures and statuary, setts, curbstones)	HS 680293	26.70.12.60
		Slate	Worked slate and articles of slate or of agglomerated slate (Excl. Slates granules, chippings and powder, mosaic cubes and the like, and ready-to-use slates to boards with writing or drawing surfaces)	HS 680300	
		Other	Monumental or building stone and articles thereof, simply cut or sawn, with a flat or even surface (excluding calcareous stones, granite and slate, with a completely or partly planed, sand-dresses, coarsely or finally ground or polished surface, tile, cub	HS 68022900	26.70.12.80
			Monumental or building stone, in any form, polished carved or otherwise processed (excl. calcareous stone, granite and slate, tiles, cubes and similar articles of subheading 680210....)	HS 680299	

• Statistical Product Classification

Prodcom and Combined nomenclature (CN)

In this survey two different sets of statistical data are used. Both sets have been provided by Eurostat, the statistical body of the EU.

The first set is derived from Prodcom. The term Prodcom is derived from PROducts of the European COMMunity. This is a survey based on products whose definitions are standardised

across the EU to allow comparability between the member countries' data. Prodcom covers some 4,800 products which are assigned to some 250 industries (subclasses) as defined by the Standard Industrial Classification (SIC). Prodcom data contain production, imports and exports. Based on these data apparent consumption can be calculated as follows: $\text{apparent consumption} = \text{production} + \text{imports} - \text{exports}$.

The second set is the trade data based on the Combined Nomenclature. The abbreviation CN stands for Combined Nomenclature. This Combined Nomenclature contains the goods classification prescribed by the EU for international trade statistics. The CN is an 8-digit classification consisting of a further specification of the 6-digit Harmonised System (HS). HS was developed by the World Customs Organisation (WCO). The system covers about 5,000 commodity groups, each identified by a six-digit code. More than 179 countries and economies use the system.

Statistical data: limitations

Trade figures quoted in CBI market surveys must be interpreted and used with extreme caution.

The Prodcom data used in Chapter 1 and 2, are less reliable than the import and export statistics used in Chapter 4, as they are not part of official data collection for Customs. Companies only have to send in their data on an annual or quarterly basis. The figures sometimes show a discrepancy between years, e.g. a large fall or extraordinary growth. These problems are caused by inaccurate, inconsistent and untimely reporting by companies. However, Prodcom data are the only official source for production and apparent consumption data, displaying numbers at product group level and describing the different EU markets in detail. Therefore they are useful to get an indication of size and trends within those markets. For decision making, however, these figures are not accurate enough and should be used in conjunction to further market research.

On the subject of intra-EU trade, statistical surveying is only compulsory for exporting and importing firms whose trade exceeds a certain annual value. The threshold varies considerably from country to country, but it is typically about € 100,000. As a consequence, although figures for trade between the EU and the rest of the world are accurately represented, trade within the EU is generally underestimated.

Furthermore, the information used in CBI market surveys is obtained from a variety of sources. Therefore, extreme care must be taken in the qualitative use and interpretation of quantitative data, it puts limitations to in-depth interpretation of relations between consumption, production and trade figures within one country and between different countries.

Note concerning the data processing for the Consumption and Production chapters

- The figures cover the years 2002-2004 since there is no production data in Eurostat for 2005.
- The 2 Eurostat databases (Prodcom and HS) were combined to calculate consumption data because of missing data for Blocks and Slabs:
 - For quantities: in Prodcom, production figures exist for Blocks and Slabs, but there are no import and export data, so the consumption quantities of all product groups had to be calculated using import and exports from the HS data base.
 - For value: In Prodcom, there are no production data for Blocks and Slabs, so the consumption values and quantities could simply not be calculated. Still, all value data (production, import and export) to calculate the consumption of finished products exist in Prodcom, so this only data base was used for value figures (after checking the consistency of the import and export figures between both database, in order to make sure that the quantities and value figures are coherent).
 - As a result the figures for the production of the Blocks and Slabs product group in value were extracted from other sources, whenever available.

- Finally, it was not possible to calculate consumption data (both values and quantities) for the years 2002-2003 for the 10 new member states²⁰ since figures are missing in Eurostat. Therefore, EU consumption figures should be understood as for EU15. Same goes for the year 2004 so that data can be compared over the study period.

²⁰ Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia, Slovakia.

Appendix B Introduction to the EU market

The European Union (EU) is the current name for the former European Community. Since January 1995 the EU has consisted of 15 member states. Ten new countries joined the EU in May 2004. In January 2007 two more countries – Bulgaria and Romania - joined the EU. Negotiations are in progress with a number of other candidate member states. In this survey, the EU is referred to as the EU25 since most data are missing for those two countries.

Cultural awareness is a critical skill in securing success as an exporter. The enlargement of the EU has increased the size of the EU, and also significantly increased its complexity. With more people from culturally diverse backgrounds, effective communication is necessary. Be aware of differences in respect of meeting and greeting people (use of names, body language etc.) and of building relationships. There are also differences in dealings with hierarchy, presentations, negotiating, decision making and handling conflicts. More information on cultural differences can be found in chapter 3 of CBI's export manual 'Exporting to the EU (2006)'.

General information on the EU can also be found at the official EU website http://europa.eu/abc/governments/index_en.htm or the free encyclopaedia Wikipedia <http://en.wikipedia.org/wiki/Portal:Europe>.

Monetary unit: Euro

On 1 January 1999, the Euro became the legal currency within twelve EU member states: Austria, Belgium, Finland, France, Germany, Italy, Ireland, Luxembourg, The Netherlands, Spain, and Portugal. Greece became the 12th member state to adopt the Euro on January 1, 2001. Slovenia adopted the Euro in 2007. Since 2002 Euro coins and banknotes replaced national currency in these countries. Denmark, the United Kingdom and Sweden have decided not to participate in the Euro.

In CBI market surveys, the Euro (€) is the basic currency unit used to indicate value.

Table 1 Exchange rates of EU currencies in €, average yearly interbank rate

Country	Name	Code	2006	July 2007
Bulgaria	Lev	BGN	0.51387	0.51127
Cyprus	Pound	CYP	1.74133	1.71692
Czech Republic	Crown	CZK	0.03532	0.03510
Denmark	Crown	DKK	0.13407	0.13442
Estonia	Crown	EEK	0.06390	0.06390
Hungary	Forint	HUF	0.00380	0.00406
Latvia	Lats	LVL	1.44130	1.43725
Lithuania	Litas	LTL	0.28962	0.28962
Malta	Lira	MTL	2.33703	2.33448
Poland	Zloty	PLN	0.25748	0.26547
Romania	Lei	ROL	0.00003	0.32065
Slovakia	Crown	SKK	0.02694	0.03004
Sweden	Crown	SEK	0.10812	0.10905
United Kingdom	Pound	GBP	1.46725	1.47588

Source: Oanda <http://www.oanda.com/> (July 2007)

Appendix C List of developing countries

OECD DAC list - January 2006

When referred to developing countries in the CBI market surveys, reference is made to the group of countries on this OECD DAC list of January 2006.

Afghanistan	Gabon	Nepal	Uruguay
Albania	Gambia	Nicaragua	Uzbekistan
Algeria	Georgia	Niger	Vanuatu
Angola	Ghana	Nigeria	Venezuela
Anguilla	Grenada	Niue	Vietnam
Antigua and Barbuda	Guatemala	Oman	Wallis & Futuna
Argentina	Guinea	Pakistan	Yemen
Armenia	Guinea-Bissau	Palau	Zambia
Azerbaijan	Guyana	Palestinian Admin. Areas	Zimbabwe
Bangladesh	Haiti	Panama	
Barbados	Honduras	Papua New Guinea	
Belarus	India	Paraguay	
Belize	Indonesia	Peru	
Benin	Iran	Philippines	
Bhutan	Iraq	Rwanda	
Bolivia	Jamaica	Samoa	
Bosnia & Herzegovina	Jordan	Sao Tome & Principe	
Botswana	Kazakhstan	Saudi Arabia	
Brazil	Kenya	Senegal	
Burkina Faso	Kiribati	Serbia	
Burundi	Korea Rep. of	Seychelles	
Cambodia	Kyrgyz Rep.	Sierra Leone	
Cameroon	Laos	Solomon Islands	
Cape Verde	Lebanon	Somalia	
Central African Rep.	Liberia	South Africa	
Chad	Libya	Sri Lanka	
Chile	Macedonia	St. Helena	
China	Madagascar	St. Kitts Nevis	
Colombia	Malawi	St. Lucia	
Comoros	Malaysia	St. Vincent & Grenadines	
Congo Democratic Rep.	Maldives	Sudan	
Congo Rep.	Mali	Suriname	
Cook Islands	Marshall Islands	Swaziland	
Costa Rica	Mauritania	Syria	
Cote d'Ivoire	Mauritius	Tajikistan	
Croatia	Mayotte	Tanzania	
Cuba	Mexico	Thailand	
Djibouti	Micronesia, Fed. States	Timor-Leste	
Dominica	Moldova	Togo	
Dominican Republic	Mongolia	Trinidad & Tobago	
Ecuador	Montenegro	Tunisia	
Egypt	Montserrat	Turkey	
El Salvador	Morocco	Turkmenistan	
Equatorial Guinea	Mozambique	Turks & Caicos Islands	
Eritrea	Myanmar	Tuvalu	
Ethiopia	Namibia	Uganda	
Fiji	Nauru	Ukraine	

CBI countries – January 2007:

CBI supports exporters in the following Asian, African, Latin American and European (Balkan) countries:

Albania
Armenia
Bangladesh
Benin
Bolivia
Bosnia-Herzegovina
Burkina Faso
Colombia
Ecuador
Egypt
El Salvador
Ethiopia
Georgia
Ghana
Guatemala
Honduras
India
Indonesia
Jordan
Kenya
Macedonia
Madagascar
Mali
Moldavia
Montenegro
Morocco
Mozambique
Nepal
Nicaragua
Pakistan
Peru
Philippines
Rwanda
Senegal
Serbia
South Africa
Sri Lanka
Suriname
Tanzania
Thailand
Tunisia
Uganda
Vietnam
Zambia

Appendix D References

- **Statistical sources**

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www.marble.com

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Indian Stone (www.IndianStone.nl)

VNNI (Vereniging van Nederlandse Natuursteen Importeurs - Natural Stone Importers

Association - <http://www.vnni.nl/>)