CBI MARKET SURVEY

THE COFFEE, TEA AND COCOA MARKET IN AUSTRIA

Publication date: February 2010

Introduction
This CBI market survey gives exporters in developing countries information on some main developments in the coffee, tea and cocoa market in Austria. The information is complementary to the information provided in the CBI market survey 'The coffee, tea and cocoa market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo.

1. Market description: consumption and production

Consumption
Sustainability is an increasingly important topic in the markets for coffee, tea and cocoa. Therefore these surveys have a special focus on certified coffee, tea and cocoa. The markets grow faster, offer a premium, and traded volumes are smaller than in the conventional market which makes it more interesting for DC exporters. This market is of specific importance in Austria and having certification in place improves your market access in this country as well as the rest of the EU. According to the Research Institute of Organic Agriculture (FiBL) organic per capita food consumption in 2007 amounted to € 89 per capita, while for 2006 the respective amount was € 64 (FiBL 2009).

Note that the consumption data of coffee and tea in this chapter concern the Austrian consumer market. Information on industrial demand for green coffee and tea for blending/packing, the form in which most coffee and tea is shipped to Europe, is not available. Although consumption offers interesting information about market developments, an increase or decrease in consumption does not necessarily translate into an increase in industrial demand from local roasters and blenders. Moreover, coffee and tea intended for Austrian blenders and roasters can be imported from traders in the main EU trade centres. Regarding for roasted coffee, developing countries play a very limited role as this is predominantly sourced in other EU countries.

Coffee
Austria is a medium-sized consumer of coffee, taking the 11th place in the EU, with a market share of 2.3%. In 2008, total consumption of coffee was 54 thousand tonnes. Consumption dropped slightly since 2004, on average by 2.3% annually. Per capita consumption was 7.2 kg in 2008, which is higher than the EU average of 5.0 kg (International Coffee Organization (ICO) Coffee Market Report, 2009).

Consumption of instant coffees showed a substantial decrease during recent years in Austria, while consumption of filter coffee is stable. Still, the sales value continued to increase in 2008, due to the increasing trend towards coffee specialities and coffee pods, which are offered at higher prices (Kaffee- und Teeverband, 2009). Furthermore, the coffee market is driven by convenience and new innovative products. This is mostly seen in the increasing market penetration of pod[1] systems and espresso machines in Austrian households, although this is still relatively limited in Austria. There has been a substantial increase of coffee consumption in

[1] Coffee pods are pre-packaged coffee beans in their own filter. For more information, please refer to the EU market survey.

coffee shops and restaurants. This out-of-home market has traditionally been important in Austria, especially in Vienna (Austrian Coffee and Tea Board, 2008, Euromonitor, 2009).

Austria is among the most developed organics markets in the EU and it can be expected that organic coffee will keep on playing an important role as well. Austrian consumption of Fair-Trade-certified coffee showed an annual increase of 20% in volume between 2007 and 2008, totalling 1.0 thousand tonnes (Fairtrade Labelling Organization, (FLO) 2009).

Tea

Austria is a small-sized consumer of tea, taking the 13th position in the EU, with a market share of 0.9% (International Tea Committee, 2009). Between 2004 and 2008, total Austrian tea consumption marked a significant annual increase of 8.3%, amounting to 2.2 thousand tonnes in the latter year. In that year, Austrian per capita tea consumption was 0.3 kg.

Austrian consumption of tea is below the European average. Tea has been an established product on the Austrian market for a very long time, but is mostly drunk during winter. Although tea drinking is slowly evolving due to the health and wellness trend, consumers are not expected to develop the habit of drinking black tea more regularly throughout the year in the coming few years. In contrast, consumption of herbal and fruit teas is among the highest in Europe, forming the largest product area in the Austrian tea market, and it remains the most dynamic. It accounted for more than 60% of total tea and herbal infusions consumption in 2006 (Austrian Tea Board, 2007). Herbal teas are not included in this survey, but as they can substitute black and green tea they limit opportunities for DC exporters of these products.

According to the Austrian Tea Board (2007), green tea was the fastest-growing tea variety consumed in Austria in 2006 accounting for almost a third of tea consumption in Austria. Green tea benefited from a large number of new product innovations, focusing on a healthy way of living (Austrian Tea Board, 2007). In addition, there has been an increasing demand for organic and non-artificial additives tea in the Austrian market. This turn towards natural tea, together with the increased demand for convenience, have been the main characteristics in the Austrian tea market (Euromonitor, 2009)

Cocoa

Austria is a medium-sized consumer, as indicated by the apparent consumption of cocoa[2], taking the 9th place in the EU, with a market share of 2.3% (International Cocoa Organization (ICCO), 2009). Apparent consumption of cocoa in Austria was 32 thousand tonnes in 2007/2008. Between 2003/2004 and 2007/2008 apparent consumption decreased 0.9% annually. Per capita apparent cocoa consumption was 3.8 kg, above the EU average of 2.8 kg. The demand for cocoa beans for grinding, as well as for processed cocoa products to be used in local food industries, is relatively limited. This is due to the fact that several Austrian chocolate makers export to other EU countries, therefore industrial demand for cocoa should be bigger than is mentioned above. Austrian per capita consumption of chocolate is quite high at 6.9 kg per year in 2007.

Austria is a small cocoa bean grinder. Total grindings amounted to 10 thousand tonnes in 2008/2009, less than half of grindings in 2004/2005 (ICCO, 2009).

Similar to the case for coffee, Austrians tend to consume more and more Fair-Trade certified cocoa products. Between 2007 and 2008, consumption of Fair-Trade chocolate labelled products increased by 8.0% in value, totalling € 16 million (Fairtrade Labelling Organization, (FLO) 2009).

[2] Apparent consumption of cocoa means grindings plus net imports (imports minus exports) of cocoa products and of chocolate products recalculated into the amount of beans, using conversion factors.

Trends in consumption

The revived consumption of coffee in Austria has mainly been caused by the introduction of a wider variety of coffee. This was mainly driven by the need of Austrian consumers for more convenience and their increased demand for innovative products. There will be further focus on specialties, as well as espresso and cappuccino makers. Furthermore, the out-of-home consumption has traditionally been popular in Austria (especially Vienna) and is expected to grow further (Euromonitor, 2009). According to industrial sources, as in other European countries, a limited shift away from premium coffee can be expected, which would negatively effect the demand for high quality coffees and probably also organic and Fair Trade products in the coming year. However, the effects are likely to remain limited as regards total coffee consumption.

Volumes of tea consumed are expected to increase as well, especially for green and herbal tea. According to industrial sources, there is a growing trend towards single herbal teas, for example mint, camomile, hibiscus and fennel teas, as well as for varieties like Rooiboos tea and teas with ginger, especially during the winter time. The demand for organic ingredients in the products is expected to continue to characterise the Austrian market (Euromonitor, 2009). The effects of the crisis on tea will be similar to those on coffee, and remain limited to a small shift away from premium products.

According to the Research Institute of Organic Agriculture (FiBL), the organics sales in Austria are among the highest in the world, together with Switzerland and Denmark (Fibl, 2009). This organic- and health-minded attitude has also resulted in a stronger demand for organic coffee, tea and cocoa and further increases are expected. However, the economic crisis could curtail the development of the organic segment, due to the premium associated with it. The increase in Fair Trade-certified coffee, tea and cocoa also reflects the growing interest in sustainable products.

Production

Because of climatic conditions, no production of coffee, tea and cocoa beans takes place within the EU. Austria is fully dependent on imports of these products from other countries. However, ingredients for herbal teas are produced in the country.

Austria has some grinding activities, processing cocoa beans imported from developing countries. However, grindings are decreasing, as Austrian industrial users are relying more on supplies from other EU countries.

Tea and coffee processing predominately takes place in the EU, and Austria has several players. More information on these companies can be found in section 2 of this survey.

Trends in production

Production of herbal tea is decreasing in Austria, as small producers are retiring and there are not enough people interested in replacing them.

Processing of cocoa beans in Austria is slowly disappearing.

Opportunities and threats

+ Green tea consumption in Austria is increasing. Furthermore, the developments in the segments of herbal and fruit flavoured teas are interesting. Austrian consumption of black tea remains more limited.
+ Austrian consumers are strongly oriented towards natural and organic products, which could offer good opportunities for developing country exporters.
+ Certified products (such as Fair-Trade) are considered a plus in the Austrian market.
+ Coffee consumption is quite high and growing. Apart from developments in the overall coffee market, premium coffees as well as espresso quality beans offer additional opportunities.

± Austria is increasingly dependent on imported processed cocoa products. However, until now, these are almost exclusively supplied by EU countries.
- The economic crisis currently affecting the Austrian economy could have an impact on the sales of premium coffee, tea and cocoa.

It is important to note that an opportunity for a supplier in a developing country may sometimes be a threat to another. The information given should be assessed according to the reality of each supplier. For more information on opportunities and threats, please refer to chapter 7 of the CBI market survey covering the EU market.

Useful sources
For useful sources on consumption and production of coffee, tea and cocoa in Austria and the EU, please refer to the EU survey, Chapters 1 and 2. Furthermore, the associations and trade press mentioned in Chapter 6 of this survey are of interest. The Fachverband Lebensmittelindustrie and the Kaffee und Teeverband offer interesting information on the Austrian market.

Euromonitor offers information on the Austrian market for Hot Drinks, including coffee, tea and cocoa drinks - http://www.euromonitor.com

2. Trade channels for market entry

The three product groups discussed are each distributed in a different manner. The trade structures for coffee and tea share important characteristics, but also differ in, for example, the role of warehouses and auctions. Particularly, the cocoa trade, with its four main products of cocoa beans, paste, butter and powder and its industrial focus, has an entirely different trade structure. However, they have several things in common;
- Processing takes place in a limited number of EU countries, although the extent of concentration varies.
- Developing countries play a limited role in processed products except for processed cocoa products. However, these are also mostly sourced from EU processors.
- As such imports into the EU take place mostly through EU countries or other countries with an important trading role.
- Countries with smaller processing industries also source (part of) their needs from these trading countries. Countries with a small or no processing industry for one of the products will offer limited opportunities to developing country suppliers, except for certain market niches.

In general, traders are the most important trade channel for all three products for developing country producers, but in certain cases local agents of EU buyers, or EU processors can also be an interesting channel. Regarding organic products, the main organics traders, mostly located in Germany and The Netherlands, are the most important trade channel.

It is important to note that, throughout the various trade channels, different prices and margins apply. For more information on prices and margins, please refer to the EU market survey. No specific information is available on Austria.

The Austrian markets for coffee and tea are largely controlled by foreign multinationals: Kraft and Tchibo/Karl Struppe (German) for coffee, Nestlé for instant coffee and Teekanne and Milford (German) for tea. Private labels are increasingly important, their blending/roasting being done by European processors. Private labels held an 11% value share in 2007 in the Austrian coffee and tea market, and are strongest in coffee (Euromonitor 2008).

Key players in the coffee, tea and cocoa markets in Austria are:
- Julius Meinl, the leading domestic coffee roaster, which also has a strong position on the Northern Italian market and the Central and Eastern European markets (Caffé del Moro, Crem Caffé) - http://www.meinl.com
- Karl Struppe's distribution network with its Tchibo and Eduscho brands - http://www.eduscho.at
- Kraft Foods Austria - http://www.kraftfoods.at
- Aiya Europe is the largest green tea importer in Austria - http://www.aiya-europe.com
- Rauch Group, a producer of coffee and tea drinks- http://www.rauch.cc
- Milford, part of the German Ostfriesische Tee Gesellschaft - http://www.milford.de

Regarding organic tea and coffee, there is a very interesting company named Sonnentor. Already established for 20 years on the Austrian market, the company sells organic tea and cocoa. Many of its tea products are produced and processed in the country, especially the herbal teas - http://www.sonnentor.com.

On-line links related to the promotion of organic products commercialization in Austria are:
- Agrarmarkt Austria Marketing (AMA) - http://www.ama.at
- Bio Austria - http://www.bio-austria.at (website in German only)
- Austria Bio Garantie - http://www.abg.at (website in German only)
- A-Demeter (Bio-dynamic certification body) – http://www.demeter.at (website in German only)

On-line company databases for finding companies working in the coffee, tea and cocoa markets can very useful. National associations for the appropriate products are mentioned in Section 6. The Austrian Coffee and Tea board is particularly useful in this respect. Furthermore, several sector-specific EU-wide associations are included in Chapter 3 of the EU survey.

3. Trade: imports and exports

Imports

Coffee
Austria is a medium-to-small sized importer of green coffee, taking the 10th place in the EU and accounting for 2.1% of total EU imports. In 2008, imports amounted to € 121 million / 63 thousand tonnes, signifying an annual increase of 17% in value and of 1.5% in volume since 2004.

Austria largely relies on its EU neighbours for green coffee, with Germany covering the vast majority of the Austrian imports. Developing countries account for the remaining 17% of total imports. Although Brazil is the biggest green coffee producer in the world, it accounts for only 4.9% of Austrian imports. Moreover, imports from EU countries are increasing much faster (at 23% annually), compared to imports from developing countries (0.2% annually, and decreasing in volume). After Brazil, Vietnam (2.5% of imports), India (2.2%), Cameroon (1.3%) and Costa Rica (1.1%) play a small role, next to a number of smaller suppliers. Imports from Brazil are decreasing (6.3% annually), while imports from Vietnam (24%), India (21%) and Cameroon (40%) are increasing strongly.

Most EU countries import part of their coffee needs as roasted coffee, a market in which developing countries play a negligible role. Austria imports a relatively large percentage of its coffee as roasted (36% in volume, compared to an EU average of 15%). This shows the relatively limited importance of local roasters on the market, although on the other hand Austria is also a significant exporter of roasted coffee. Moreover, roasted coffee imports are increasing faster than green coffee imports. As such, Austria accounts for 7.5% of total EU imports. In 2008, the value of roasted coffee imports was € 181 million and the volume was 35 thousand tonnes, showing an annual increase of 36% and 10.3% respectively. Imports are predominantly sourced in surrounding countries.

Tea

Austria is a small-sized importer of tea, accounting for 1.5% of total EU tea imports and ranking 12th among the EU countries. Imports increased by 16% annually in value and by 6.4% in volume between 2004 and 2008, amounting to € 13 million / 2.6 thousand tonnes in the latter year. A share of only 3.8% of the Austrian tea imports is covered by developing countries, as Germany and the UK are the main tea suppliers. Moreover, direct imports from developing countries decreased by 10% annually during the review period, while imports from the UK and the Czech Republic were increasing very strongly by respectively 90% and 41%. China, Turkey and Sri Lanka are the main tea suppliers. Of these countries, only imports from Turkey are increasing.

Tea imports consisted for 40% of green tea, and for 60% of black tea. As such, the percentage of green tea imported is much larger than in the EU on average (13%). Austria is the 10th largest importer of green tea. Green tea imports had a value increase of 23% between 2004 and 2008, totalling € 4.7 million / 1.1 thousand tonnes. Black tea imports increased by 13% in value annually, amounting to € 8.7 million / 1.6 thousand tonnes in 2008.

Cocoa

Austria is a small importer of cocoa products, taking between the 8th and the 15th place in the EU. In 2008, imports of cocoa beans amounted to € 19 million / 11 thousand tonnes; imports of paste amounted to € 7.2 million / 2.9 thousand tonnes; imports of cocoa butter totalled € 24 million / 4.9 thousand tonnes; and imports of cocoa powder amounted to € 4.0 million / 2.9 thousand tonnes.

Whereas imports of cocoa beans and powder decreased in value between 2004 and 2008, imports of cocoa butter and cocoa paste increased, with the latter increase being the most significant one. Cocoa paste imports in Austria increased by 17% in value and by 8.0% in volume. The vast majority of its imports of cocoa products is supplied by EU countries (such as The Netherlands, Germany and Belgium). Ivory Coast provides Austria with 6.2% of its imported cocoa beans, while Malaysia provides a share of 5.5% of cocoa paste.

Exports

Austria is the 8th largest EU exporter of green coffee, amounting for only 0.6% of total EU exports. This shows the limited importance of Austria as a coffee trader. Contrary to the limited role in green coffee exports, Austria is a medium to large exporter of roasted coffee in the EU, accounting for 5.9% of total EU exports. Between 2004 and 2008, exports of roasted coffee increased sharply in both value (by 27% annually) and in volume (14%), amounting to € 163 million / 46 thousand tonnes in 2008. More than half of Austrian roasted coffee exports is directed to Germany.

Austria plays a minor role in tea exports, accounting for 1.9% of total EU tea exports, which amounted to € 11 million / 2.0 thousand tonnes in 2008. Nevertheless, Austria achieved a large growth in tea exports between 2004 and 2008 (33% annually in value and 26% in volume). This significant increase was mainly accounted for by green tea exports, which showed a 50% and 58% growth in value and volume respectively. The largest share of tea exports was directed to Germany and Switzerland.

Austria does not export cocoa beans, while exports of cocoa paste and butter were small but significantly growing by 31% and 140% respectively. Cocoa paste is fully exported to Hungary. The main two receiving countries of cocoa butter are The Netherlands and Germany. Exports of cocoa powder showed an annual decrease of 27% in value and 17% in volume between 2004 and 2008.

Opportunities and threats

+ Coffee imports are on the rise. This is partly related to meeting increasing domestic demand for coffee. However, this fact may also be related to re-exports of roasted coffee to neighbouring countries, as Austrian exports of roasted coffee are increasing fast.

+/-Coffee imports mostly originate in EU countries. However, although imports from developing countries are stable, imports from Brazil are decreasing substantially, while imports from other countries are showing a favourable development.

+ Imports of tea are increasing fast, especially of green tea.

- Austria's trade ties with its neighbouring countries are very strong for the three commodities, especially trade with Germany, leaving little space for (new) developing country suppliers. Moreover, Austria imports much processed products.

It is important to note that an opportunity for a supplier in a developing country may sometimes be a threat to another. The information given should be assessed according to the reality of each supplier. For more information on opportunities and threats, please refer to chapter 7 of the CBI market survey covering the EU market.

Useful sources

- EU Expanding Exports Helpdesk
  ➔ http://exporthelp.europa.eu
  ➔ go to: trade statistics
- Eurostat – official statistical office of the EU
  ➔ http://epp.eurostat.ec.europa.eu;
  ➔ 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'
- Understanding Eurostat: Quick guide to Easy Comext
  ➔
http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf

4. Price developments

As the prices for coffee, tea and cocoa are global market prices, Austrian prices should show limited deviation from those. The survey covering the EU provides more information on price developments. However, prices of coffee, tea and cocoa (products) provided should be used only as a reference point, as they depend on origin and buyer preferences.

Austrian retail prices for coffee are comparatively cheap in an EU perspective at € 7.07 (ICO, 2009).

For information on on-line useful sources on price developments, please refer to chapter 5 of the CBI market survey covering the EU market.

5 Market access requirements

As a manufacturer in a developing country preparing to access Austria, you should be aware of the market access requirements of your trading partners and the Austrian government.
For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select 'organic food products' and 'Austria' in the category search, click on the search button and click on market access requirements.

Detailed 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:/exporthelp.europa.eu. No quotas apply to coffee, tea and cocoa. However, import tariffs apply to processed products. More information is available in the EU survey.

6. Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications. For more information on doing business in Austria, visit the following websites:

Trade associations
- Austrian Federal Chamber of Commerce - http://www.wko.at
- The Austrian Foreign Trade Promotion Organisation - http://www.advantageaustria.org
- Fachverband Lebensmittelindustrie (FIAA) - http://www.dielebensmittel.at
- Kaffee und Teeverband (within FIAA) - http://www.teeverband.at

Trade fairs
- Alles für den Gast Wien, the International Trade Fair for the Foodservice, Catering Industries and Hotelier. This fair takes place twice a year in Salzburg. The most recent event was from 25th until 28th of April 2010 and focused on Austria's large winter tourism sector. For more information visit the websites: http://www.gastwien.at

Trade press
- Forum Ernährung Heute - http://www.forum-ernaehrung.at (website available in German only)
- Handelszeitung - http://www.handelszeitung.at (website available in German only)

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