

CBI MARKET SURVEY

THE COFFEE, TEA AND COCOA MARKET IN GERMANY

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Report summary

This CBI market survey discusses, amongst others, the following highlights for the coffee, tea and cocoa market in Germany:

- Germany is the biggest EU consumer of coffee, accounting for 24% of total EU coffee consumption. In 2008, per capita consumption (7.6 kg) was above EU average.
- Although per capita tea consumption is still low, Germany is the third largest market for tea in the EU. However, herbal tea is increasingly consumed and already accounts for a considerable part of the market. Herbal infusions offer limited opportunities to exporters of tea and growth in their consumption could even occur at the expense of (black) tea consumption.
- After The Netherlands, Germany is the second leading cocoa bean grinding country in the EU, accounting for almost 25% of total EU grindings. Chocolate confectionery consumption is also relatively high by EU standards.
- Germany is, by far, the largest trader of coffee, as well as being of principal importance for tea and cocoa.
- Developing countries play an important role in the supply of green coffee (98%), tea (80%) and cocoa beans (69%). Most of the cocoa paste, cocoa butter and cocoa powder are, however, supplied by EU member countries.

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

1. Market description: consumption and production

Due to the interesting perspectives offered to DC exporters in organic and other certified markets for coffee, tea and cocoa, they are given a particular focus in this survey. These markets grow faster, offer a premium, and traded volumes are smaller than in the conventional market, which makes it more interesting for DC exporters. Although these markets are still relatively small compared to the conventional market, having certification in place improves your market access in the EU. According to the Research Institute of Organic Agriculture (FiBL), Germany is the EU's largest organic food market, and continues to grow. Each German spent around € 64 on organic products in 2007, and the market share of organics in total sales was 3.1% (FiBL, 2009).

Between 2008 and 2009, the retail value of Fair Trade-certified products increased by 50% amounting to € 213 million in the latter year (FLO, 2009).

Note that the consumption data for coffee and tea in this chapter concern the German 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 much 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 as Germany also imports processed products. Moreover,

imports are not necessarily sourced directly in developing countries. However, in the case of Germany, both for coffee and for tea, Germany is of great importance as a direct importer from developing countries, as well as a processor, consumer and a re-exporter.

Cocoa is a food ingredient which is further processed into chocolate, confectionery and beverages. In contrast, consumption of cocoa is not known, due to the fact that cocoa products are processed in a wide range of products. However, EU grindings, combined with the imports of processed cocoa products, offer a good indication of industrial demand.

Consumption

Coffee

According to the International Coffee Organization (ICO), Germany is the largest coffee consumer in the EU, with a market share of 24% (ICO, 2009). Total coffee consumption is somewhat erratic, but shows an average annual decrease of 2.2% between 2004 and 2008, amounting to 573 thousand tonnes in 2008. German per capita consumption showed a small average annual decrease of 0.1%, amounting to 7.6 kg in 2008.

Organic coffee accounts for 2 to 3% of the total coffee market in Germany (Deutscher Kaffeeverband, 2007). German consumption of Fair-Trade coffee increased by 11% annually between 2003 and 2007, totalling 4.4 thousand tonnes in the latter year (ITC Coffee Guide, 2009).

The introduction of coffee pods in Germany in 2008 is considered to have stabilized the coffee market. Moreover, the smoking ban, concerns about personal spending and newly introduced products for at-home consumption have led to increased at-home consumption of hot drinks (Euromonitor, 2009).

Tea

According to the International Tea Committee (ITC), Germany was in 2008, after the UK and Poland, the third largest tea consumer in the EU, with a market share of 9.5% in 2008. Total German tea consumption increased by 2.3% between 2004 and 2008, amounting to 24 thousand tonnes in the latter year (ITC, 2009). Per capita tea consumption in Germany between 2004 and 2008 was about 0.29 kg (ITC, 2009).

A shift towards herbal and fruit tea is noticeable at the expense of conventional black tea. Green and herbal teas have benefited from the health trends that which are eminent in the country (Euromonitor, 2009). According to industry sources, product development on the German market is extremely fast, with new flavours constantly entering the market and, thanks to the inclusion of medicinal plants, such as chamomile, increasingly attracting a following.

According to the Deutscher Teeverband, food retailers and discount stores are the most important purchase source for consumers, accounting for nearly 58% of sales. Tea specialist shops gained importance and held a market share of 20%. Consumers are increasingly attracted to the specialists by their large selection and range of flavors, their expert advice, and the trend towards celebrating tea as a relaxing beverage. In addition, expert advice is an important factor in tea purchase (Deutscher Teeverband, 2009).

Green tea accounts for 23% of the market, but in 2008 black tea still remained the most popular type, accounting for 77% of tea consumption in Germany. Herbal infusions are not included in these figures, but are very important in the German market. Consumers are particularly attracted by black tea's great variety of flavours (Deutscher Teeverband, 2009).

Organic teas increased slightly, achieving a market share of 4.1% in 2008. The Fair-Trade tea market in Germany is quite stable at the moment. Between 2002 and 2006, consumption

increased slightly by 1%, totalling 163 tonnes in 2006, just over 0.5% of the total market (FLO, 2007).

Cocoa

According to the International Cocoa Organization (ICCO), Germany is the 2nd biggest grinder of cocoa beans in the EU with a market share of 25% (ICCO, 2009). Grindings in The Netherlands are higher, but are decreasing. Total grindings in Germany show an annual increase of 9%, amounting to 330 thousand tonnes in 2008/2009.

No information on the domestic consumption of processed cocoa products is available for Germany. The German apparent consumption of cocoa¹ is the highest in Europe and amounted to 317 thousand tonnes in 2007/2008. This was an increase of 0.8% per year since 2003/2004 (ICCO, 2009). Considering its large chocolate, beverage and confectionery industry, also the large imports of these products, industrial demand for processed cocoa products should be considerably higher than this.

Per capita German chocolate confectionery consumption was 9.3 kg in 2007, which is higher than the respective EU average of 5.4 kg.

In 2006, sales of Fair-Trade-certified cocoa amounted to 967 tonnes, which was a substantial increase of 27% per year for the period 2004-2006 (FLO, 2007). According to industrial sources, both organic and Fair Trade chocolate consumption are on the rise in Germany.

Market segmentation

Market segmentation of coffee, tea and cocoa in Germany does not differ from overall EU segmentation. For more information, please refer to the CBI survey covering the coffee, tea and cocoa market in the EU.

Trends

- Consumption of Fair-Trade coffee and tea is a continuing and growing trend in Germany. Several industry sources consider the Fair-Trade trend to be bigger than the organic trend for these products.
- The market for espresso is an ever-growing segment in the German coffee market. Instant coffee drinks also continue to increase in sales. (Deutscher Kaffeeverband, 2007).
- (Organic) coffee with spices (i.e. cardamom) and extra flavours (i.e. orange peels) is also a growing trend in the German market.
- Tea is increasingly popular. Black tea covers the largest share of the tea market. Nevertheless, green and herbal tea are gaining higher and higher importance within the scope of health trends promoting them.
- According to industrial sources, the organic chocolate market is now largely driven by innovation, also supporting the total chocolate market. New fillings and (exotic) flavours such as ginger are popular. In addition, new trendy packaging is boosting sales of organic chocolate. Next to this, a growing trend is (organic) chocolate powder with chilli and other ingredients, considered as exotic.
- Among all different kinds of certifications for organic and Fair-Trade products, an interesting certification that may become a trend is a certification on emissions of CO₂. This certification is already in place for the coffee sector in the German consumer market. The certification, Impatto Zero (<http://www.impactozero.it>), comes from Italy, but the certified products are also commercialized in Germany.

Production

Because of climatic conditions, no production of coffee, tea and cocoa beans takes place within the EU. Germany is fully dependent on imports of these products from other countries.

¹ 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.

Germany is, however, the second largest grinder of cocoa beans in the EU and therefore competes with developing countries in the market for processed cocoa products. Tea and coffee processing predominately takes place in the EU, and Germany itself has many players. Relevant companies are mentioned in section 2.

Opportunities and threats

- + According to industry sources, organic Arabica coffee is a growing market opportunity for producers in developing countries. Many German companies want products with only Arabica coffee.
- + Fair-Trade certification and other certifications taking into account ethical standards for coffee and tea products are increasingly perceived as a plus among buyers in the German market. This provides a growing market opportunity for producers of Fair-Trade coffee, tea and cocoa in developing countries.
- + According to industry sources, the tea industry is uniquely positioned to offer many varieties and play an active role in a healthy diet. This innovation is expected to give a boost to the tea market in the future.
- ± In Germany, organic products are still more expensive than conventional ones. However, not all organic products are sold at higher prices, as the German market is among the most competitive in the EU. Conventional, also discount retailers, play a very important role in German food stuffs sales, and also increasingly in organic markets.
- ± As commented by German industry sources, specialty coffee becomes more and more of interest for the mainstream coffee producers. In this case, tracking and tracing is also a focal point in the production process and trade of coffee. The coffee packaging units need to be traceable backwards all the way to the green coffee lot (<http://www.teaandcoffee.net/1206/special.htm>).
- ± Thanks to the continuing health trends, also affecting the coffee, cocoa and especially tea market, the product variety available in Germany is very large, and innovation is very fast.
- According to industry sources, the German cocoa market is highly competitive and difficult to access.
- Germany is also feeling the effects of the economic crisis and the German economy is facing a recession. In fact, due to its reliance on exports, the German economy is particularly hard hit. Although this is not likely to impact on total sales of coffee, tea and cocoa, it can hit high-value varieties for some time. However, in the long term, opportunities will be best in those market niches.

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 Germany 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 German Tea Association and the German Coffee Association offer interesting information on the German market. Information on the market for tea is very limited.
- Euromonitor, an international market research group, offers information on the German market for Hot Drinks, including coffee, tea and cocoa drinks - <http://www.euromonitor.com>

2. Trade channels for market entry

Trade channels

Conventional

The three product groups discussed are each distributed in a different manner. The trade structures for coffee and tea share important characteristics, but also differ in, for example,

the role of warehouses and auctions. Particularly the cocoa trade, with its four main products of cocoa beans, paste, butter and powder and its industrial focus, has an entirely different trade structure. Some initial processing takes place for coffee, tea and cocoa, before being exported to the EU, but processing of cocoa in the country of origin is becoming more common.

On the other hand, the trade structures also have common features:

- Processing takes place in a limited number of EU countries, although the extent of concentration varies between the three products.
- Developing countries play a limited role in processed products except for cocoa products. However, powder, butter and paste are also still 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 traders and processors in these 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.

Considering Germany's important role in all three commodities, all levels of the trade structure are present. The trade channels for tea are especially important, as Hamburg is one of the tea capitals of Europe. About 60 to 70% of all tea traded throughout continental Europe goes through Hamburg (Deutscher Teeverband, 2008). Moreover, the German coffee, tea and cocoa industries are very well organised in strong and well-informed sector organisations. For more information, please refer to the CBI survey covering the EU market for coffee, tea and cocoa.

Brokers and agents

Brokers and agents play an important role for all three commodities, but especially for tea since they are prime actors at tea auctions, although increasing amounts of tea are traded outside these systems. Large multiple commodity brokers, as well as smaller specialised companies are active in these markets. Leading broker/agents in Germany for coffee (some being active in tea) are Eugen Atté, Euroca, Hamburger Rohkaffee-Agentur Wernicke, HPK Coffee Agency, and Unicafé. A leading tea broker in Germany is Ludwig H.O. Schroeder & Rudolph Hamann. Leading cocoa brokers are Albert Drosemeier, Indoham, HCCCO and Interwalga. Agents representing importing companies in developing countries can play an important role.

Traders

Traders play a vital role for all three product groups. This channel offers good, if not the best, opportunities for market entry for all three product groups. However, trade is increasingly dominated by a limited number of trading companies. Nevertheless, prospects remain for smaller specialised traders which trade non-conventional products (high quality, specific origin), which might be interesting for developing country producers.

Apart from traders, coffee roasters also play a considerable role as traders themselves. Traditionally, traders and dealers operate in ports where coffee is delivered; in Germany this includes Bremen and especially Hamburg. These traders play a principal role in the European trade of coffee. A third of EU exports is conducted by Germany, which plays a major role both in roasted and unroasted coffee. 14 importers are members of the German Coffee Organisations. Euroca was already mentioned under brokers, other important traders include Amber Trading, F.L. Michaelis GMBH, Neuman Kaffee Gruppe, Rehm Coffee, Schlüter-Maack (also cocoa), and, for specialty coffee and tea, the Spezialitäten Compagnie. Neumann Kaffee is one of the largest coffee traders in the world.

Vertical integration between tea blenders and traders is considerable. Next to the leading internationals, which have a huge influence on the tea trade due to their role in production, trade and processing, more local traders as well as blenders also import considerable

quantities. Furthermore, in Germany most blenders have an import department. Companies with a more exclusive focus on trade are Hälssen & Lyon GmbH and Kloth & Köhnken.

The largest cocoa processors also have their own import departments, but trading companies play a very large role in processor sourcing practices. Several of the principal traders are located in Germany, including Albrecht & Dill Trading (also coffee), Birtner & Co., Carl Köhler, Schlüter & Maack, Vogler & Trummer, RAMM and Corinth.

Storage companies

Storage companies play a role in the cocoa trade, where they perform additional functions, such as grading. Important ones are mostly located in the principal entry-point locations for the different products, such as Hamburg. The most important cocoa warehouse company in Germany is Quast & Cons.; important for coffee and cocoa is J. Müller Weser, and especially CTH.

Processing

The level of concentration in processing (roasting of coffee, blending of tea, and grinding of cocoa) industries is, just as in the rest of the EU, very high in Germany.

The level of concentration in the German roasting sector is high, with 84% of the market controlled by the leading five roasters. However, even though many roasters have disappeared, Germany still has small roasters producing under own brands or private labels. 59 roasters are members of the German Coffee Association. Principal companies on the Germany market are Tschibo and, secondly, Melitta.

Blending and packing of tea takes place in the EU. Although less concentrated than the coffee trade, processing is strongly concentrated on a regional level. The leading three firms usually hold more than half of the local market, with players being either multinationals such as Unilever or national players, as well as niche and specialty players. The principal domestic player on the German market is Teekanne. Other blenders of importance include J Fr Scheibler GbmH, Ostfriesische Tee Gesellschaft and H & S Tee-Gesellschaft. Organic tea producers include Heuschrecke (also coffee), Lebensbaum (also coffee), and Herbaria Kräuterparadies.

Cocoa processing companies can be divided into the grinding industry, producing cocoa paste, butter, and powder and secondly, secondary processing companies active in further processing of cocoa butter. The grinding industry is also concentrated, with several multinationals dominating the market. Important German processors include the Hosta Group and Schokinag. The highly concentrated end-industries use processed cocoa products in chocolate, cocoa confectionery, beverages, and cosmetics (cocoa butter). Direct trade with these players will be difficult. However, a very large number of such companies operates in Germany.

Retailing and consumption

The next step for the coffee and tea trade is retailers and caterers. In most countries, retail sales accounts for 70-80% of the market. Because of increasing retail concentration and buying power of retailers in the EU, and increasing private label sales, the coffee and tea industries are becoming further concentrated.

Consumers buy chocolate or cocoa beverages and confectionery directly through supermarkets and/or specialty chocolate shops, but these products are also consumed through the catering and institutional sector.

Channels for certified products

Importers of organic coffee, tea and cocoa are often not exclusively specialized in these products, but in organic products in general, and they are mostly dedicated to conventional (e.g. not specialty) products. Most traders of organic products are still located in The Netherlands and Germany (a principal one being Rapunzel). Trading houses of coffee, tea and cocoa, play a more limited role in the trade in organic products, but due to further organic market development this situation is changing. The well-developed German market has led to

conventional coffee, tea and cocoa traders entering the market, as well the establishment of several organic coffee, tea and cocoa importers. Most trade in several of these products and often also include processing facilities. Organics traders form the most important trade channel for organics producers in developing countries. UTZ-certified and Rainforest Alliance are mainly working with the larger mainstream players and are therefore traded through conventional channels.

In the EU, certified coffee, tea and cocoa (i.e. organic, Fair-Trade, Utz certified, Rainforest Alliance, etc.), is sold primarily through traditional channels (either mainstream retailers or organic retailers, but not specialty coffee and tea stores). Supermarkets have become more important, especially for coffee. Many EU retail chains offer private label organic and fair trade products, or sell under fair trade brands. The focus in tea is more on fair trade (or Fairtrade/organic combinations) and the market for certified tea is more limited, although Germany is among the better developed markets in the EU. Furthermore, there are also organic food supermarkets and stores, which sell organic coffee, tea and chocolate.

Supermarkets hire the services of large-sized (though not mega-) roasters, blenders and chocolate/ food product producers. Cocoa processors will usually be involved on request of chocolate manufacturers working under private or Fair Trade label, or are part of integrated chocolate companies which have organic lines. Certain up-market tea and coffee processors also have their own organic brands.

Key players in the organic coffee, tea and cocoa market are:

- Bioma is an organic coffee processor – <http://www.bioma.de>
- Booja-Booja is an organic chocolate manufacturer – <http://www.boojabooja.de>
- Purobio is a wholesaler of Italian organic coffee in Germany – <http://www.purobio.it>
- Voodoo Food is a company that sells organic coffee and cocoa powder – <http://www.voodoofood.de>

Trends

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

- Continued concentration tendencies in trade and processing of coffee, tea and cocoa.
- Due to the increasing interest in organic products (with organic coffee sales stabilizing and the increasing interest in premium and single-origin products) there are also still, and perhaps even increasing, numbers of small processors in Germany.
- Increasing sales and good expectations for organic and Fair Trade coffee, tea and chocolate and cocoa products, and especially increasing sales through supermarkets, have made the organic market increasingly interesting for conventional players. Their entrance in the market will have a profound influence on this niche.

Price structure

Different prices and margins apply throughout the various trade channels. Moreover, the products under discussion, coffee, tea and cocoa each have their own pricing structure. For example, for tea, the largest margins are achieved by blenders/packers - which blend, pack and market tea, often under their own brand. A very large margin for cocoa is made during processing of cocoa beans into butter, paste and powder. Margins further on in the cocoa trade channel, when cocoa products are used in chocolate and other final products, are not transparent. In general, margins in Germany follow EU levels and trends.

Following consolidation and internationalisation in the coffee, tea and cocoa industry, prices and margins are under pressure.

Selecting a suitable trading partner

Finding a trade partner in Germany should not deviate from the general EU method. Due to its very large size, and its important role in the coffee, tea and cocoa trade, all relevant trade

channels are present in Germany, including traders, processing industries and a very large manufacturing sector using cocoa.

Buyers and suppliers often find each other at trade fairs. The Anuga, SIAL, FI Europe are of principal importance for conventional food products and ingredients. The COTECA trade fair 2010 in Hamburg is the first specialist trade fair for coffee, tea and cocoa. The BioFach trade fair is of particular importance for organic coffee, tea and cocoa. Moreover, for coffee and tea, the Tea and Coffee World Cup in Vienna is of importance. Participating in or visiting trade fairs is also valuable for price benchmarking, and making necessary product adaptations. Establishing contact through trade directories, or through directly contacting interesting companies you encounter, can also be useful. Concerning conventional products, company visits and sending samples, including elaborate technical data, are indicated as a method appreciated by importers. If positive responses are obtained, you could invite prospective buyers to your country. Brokers also fulfil an important function in market linking, while websites offer another opportunity to find trade partners. The first step after finding a trade partner, which is often requested by the buyer, is to give a quotation and sometimes packaging details.

After obtaining contacts, evaluating potential trade partners should be done according to criteria such as information quality; the kind of trade relation the partner is interested in; the position of the partner and his financial status and credibility.

Useful sources

Coffee

- Eugen Atté, broker - <http://www.coffeeagents.com>
- Euroca, broker and trader - <http://www.euroca.de>
- Hamburger Rohkaffee-Agentur Wernicke, broker and trader - <http://www.hra-wernicke.de>
- HPK Coffee Agency, broker - <http://www.hpk-coffee.de>
- Unicafé, broker - <http://www.unicafe-hamburg.de>
- F.L. Michaelis GMBH, importer - <http://www.flmichaelis.de>
- Amber Trading, coffee importer - <http://www.ambertrading.de>
- Neuman Kaffee Gruppe, the world's no. 1 green coffee trading company - <http://www.nkg.net>
- Rehm Coffee, coffee importer - <http://www.rehmcoffee.de>
- Schlüter-Maack, integrated coffee roaster, also active in the cocoa trade - <http://www.schlueter-maack.de>
- Spezialitäten Compagnie, specialty coffee and tea importer - <http://www.spezialitaeten-compagnie.de>
- CTH, one of the principal coffee warehousing companies - <http://www.coffeeterminal.de>
- Mellita, one of the largest German roasters - <http://www.mellita.de>

Tea

- Ludwig H O Schroeder & Rudolph Hamann, broker - <http://www.kic-hh.de>
- Hälssen & Lyon GmbH, traders - www.haelssen-lyon.de
- J Fr Scheibler GbmH & Co, merchant/blender - www.jfstea.de
- Kloth & Köhnken Teehandel GmbH, trader/wholesaler, also organic - <http://www.kktee.de>
- Lebensbaum, organic coffee and tea importer/blender - <http://www.lebensbaum.de>
- Oasis Teehandel, organic and FairTrade importer/blender - <http://www.oasistee.de>
- Herbaria Kräuterparadies GmbH, organic tea importer/blender - <http://www.herbaria.de>
- Heuschrecke, organic coffee and tea - <http://www.heuschrecke.de>
- Teekanne GmbH & Co. KG, principal German blender, also own imports - <http://www.teekanne.de>
- Ostfriesische Tee Gesellschaft, one of the country's principal blenders - <http://www.otg.de>
- H & S Tee-Gesellschaft, tea blender - <http://www.hstee.de>

Cocoa

- HCCCO, broker - <http://www.hcco.de>
- Interwalga, broker - <http://www.interwalga.de>
- Albrecht-Dill, cocoa trader, also active in coffee <http://www.albrecht-dill.de>
- Vogler & Trummer, trade and distribution of cocoa and coffee beans - <http://www.vogler-trummer.de>
- Corinth, trader in cocoa beans and processed cocoa products - <http://www.corinth.de>
- Quast & Cons. warehouse company - <http://www.quast-cons.de>
- Hosta Group, large German processor - <http://www.hosta-group.com>
- Schokinag, integrated industrial chocolate manufacturer - <http://www.schokinag.de>
- Euomar, cocoa processor - <http://www.euomar.de>
- Birtner & Co., cocoa trader – <mailto:Birtner-Cocoa@gmx.de>
- Carl Köhler - <mailto:Carl.Köhler@t-online.de>

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. Furthermore, several sector specific EU-wide associations are included in Chapter 3 of the EU survey.

3. Trade: imports and exports**Imports****Coffee**

Because Germany's large roasting industry supplies most domestic needs, as well as those of many other EU countries, Germany is by far the leading EU importer of green coffee. The German imports of coffee accounted for 35% of EU coffee imports in 2008, amounting to € 2.0 billion / 1.1 million tonnes. Total coffee imports increased strongly in value and steadily in volume between 2004 and 2008, by 19% and 2.4% annually respectively.

Almost all green coffee is directly imported from developing countries. The share of developing countries in coffee imports, however, decreased somewhat, as the share of imports from intra EU countries showed a substantial increase. Developing countries however, still account for 98% of German imports. This share is higher than the EU average. Brazil is the principal supplier, accounting for 28% of imports and with an annual growth of 19%. Imports from Vietnam are increasing very fast (23% annually) as are imports from Peru (22%) and Indonesia (36%). Imports from Colombia, traditionally the second supplier but now on third position, have not shown much development, with an increase of only 12% annually in value and a decrease in volume (1.9%).

Most EU countries import part of their coffee needs as roasted coffee, a market in which DCs play a negligible role. German imports are dominated by green coffee amounting for 95% of the total volume of coffee imports. Germany's position in the roasted coffee imports is less dominant, accounting for 12% of EU imports. Between 2004 and 2008, the German imports of roasted coffee increased by 24% in value and 13% in volume, amounting to € 287 million / 59 million tonnes in 2008.

Organic coffee

According to ICO, Germany was the leading organic coffee importer in 2007/2008, with import volume amounting to 6,783 tonnes. In the review period, the German imports increased by 76% per year.

Table 3.1 Imports of coffee, tea and cocoa by Germany, 2004 - 2008, average annual change in % of value

Product	2004		2006		2008		Average annual % change	
	value	volume	Value	volume	Value	volume	value	volume
Green coffee	983	958	1,640	1,001	1,985	1,051	19%	2.4%
Tea	97	44	116	47	124	51	6.4%	3.6%
Black tea	75	35	87	36	93	39	5.1%	2.5%
Green tea	21	9.0	30	12	32	12	11%	7.6%
Cocoa beans	345	231	391	291	553	334	13%	9.7%
Cocoa paste	31	15	52	30	71	34	23%	23%
Cocoa butter	244	84	273	81	377	86	12%	0.4%
Cocoa powder	102	43	56	42	62	46	-12%	1.9%

Source: Eurostat (2009)

*Developing Countries

Tea

Germany is the second largest importer of tea in the EU, accounting for 14% of total tea imports. Imports increased by 6.4% in value and 3.6% in volume annually between 2004 and 2008, amounting to € 124 million / 51 thousand tonnes. Growth exceeded the EU average increase in imports (5.2% in value and 1.6% in volume) which corresponds to the increasing role of Germany in the tea trade. Green tea imports increased strongest by 11% in value and 7.6% in volume annually, corresponding to an EU import share of 18.5%. This is due to the ever increasing demand for green tea among German consumers. Black tea imports decreased by 5.1% in value, corresponding to a market share of 13% in 2008. The imports by Germany consist for 76% of black tea and 24% of green tea, which is relatively more than the EU in general, where black tea still accounts for 87% of volume imports.

Developing countries accounted for 82% of German tea imports, which is higher than the EU average. Tea is predominately imported directly from developing countries. China, India and Sri Lanka accounted for more than half of Germany's tea import. Among these three major suppliers, China showed the fastest growth, while Vietnam and Argentina are also increasing in importance. Imports from India decreased, while imports from Sri Lanka showed only limited growth. China is very dominant in the supply of green tea to Germany. Among EU suppliers, Austria and the UK showed high growth rates in black as well as green tea.

Table 3.2 Imports by origin and leading suppliers to Germany 2004 - 2008, share in % of value, average annual growth in % of value

Product	Origin	Leading suppliers in 2008 (share in %)	Share ¹ (%)	Average annual % change
Green coffee	Intra-EU	Belgium (2.1%), Italy (0.1%)	2.3%	103%
	Extra-EU, ex DC*	-	0.1%	-32%
	DC*	Brazil (28%), Vietnam (13%), Colombia (8.6%), Peru (7.4%), Indonesia (7.4%), Honduras (6.5%), Ethiopia (4.7%), Papua N.G. (3.4%), El Salvador (3.3%), Uganda (2.4%)	98%	19%
Tea	Intra-EU	United Kingdom (4.6%), Netherlands (4.0%), Austria (4.0%), Poland (0.8%), France (0.5%)	13%	15%
	Extra-EU, ex DC*	Japan (1.6%), Russia (0.7%), Taiwan (0.4%), USA (0.4%), Switzerland (0.2%)	7.7%	6.6%
	DC*	China (22%), India (18%), Sri Lanka (18%), Indonesia (8.2%), Vietnam (5.2%), Argentina (4.1%), Kenya (1.4%), Malawi (1.2%), Turkey (1.1%), Zimbabwe (0.9%)	80%	10%

Product	Origin	Leading suppliers in 2008 (share in %)	Share ¹ (%)	Average annual % change
Black tea	Intra-EU	United Kingdom (5.8%), Netherlands (5.0%), Austria (2.3%), Poland (0.8%), France (0.4%), Russia (0.8%), USA (0.4%), Taiwan (0.3%), Switzerland (0.3%)	15%	13%
	Extra-EU, ex DC*	Sri Lanka (23%), India (23%), Indonesia (9.1%), China (7.9%), Argentina (5.5%), Vietnam (5.3%), Kenya (1.8%), Malawi (1.7%), Turkey (1.5%), Zimbabwe (1.2%)	2.0%	-14%
	DC*		83%	4.7%
Green tea	Intra-EU	Austria (8.8%), Netherlands (1.2%), United Kingdom (1.1%), France (0.7%), Poland (0.6%), Japan (6.3%), Taiwan (0.7%), USA (0.3%), Russia (0.2%)	13%	15%
	Extra-EU, ex DC*	China (61%), Indonesia (5.7%), Vietnam (4.8%), India (4.6%), Sri Lanka (2.4%), Kenya (0.2%)	7.7%	6.6%
	DC*		80%	10%
Cocoa beans	Intra-EU	The Netherlands (24%), Belgium (5.9%), France (0.8%), United Kingdom (0.1%), Italy (0.1%)	31%	6.1%
	Extra-EU, ex DC*	-	0%	-67%
	DC*	Ivory Coast (24%), Togo (14%), Nigeria (13%), Ghana (6.4%), Ecuador (4.7%), Guinea (1.6%), Liberia (1.3%), Madagascar (0.8%), Uganda (0.6%), Dominican R. (0.5%)	69%	16%
Cocoa paste	Intra-EU	The Netherlands (41%), France (20%), Italy (1.6%), Belgium (0.7%), Spain (0.4%)	64%	0.5%
	Extra-EU, ex DC*	Switzerland (10%), USA (0.1%)	10%	n.a.
	DC*	Ivory Coast (9.7%), Ghana (8.4%), Indonesia (5.1%), Ecuador (2.3%), Nigeria (0.1%), Philippines (0.1%)	26%	38%
Cocoa butter	Intra-EU	The Netherlands (91%), France (4.4%), Austria (0.6%), Spain (0.4%), Belgium (0.4%)	98%	11%
	Extra-EU, ex DC*	USA (0.1%)	0.1%	170%
	DC*	Ghana (1.2%), Indonesia (0.5%), Malaysia (0.2%), Nigeria (0.1%), Peru (0.1%), Brazil (0.1%)	2.4%	89%
Cocoa powder	Intra-EU	The Netherlands (74%), France (7.7%), Austria (4.8%), Belgium (2.7%), Italy (2.1%)	94%	-13%
	Extra-EU, ex DC*	Japan (2.2%), USA (1.1%)	3.3%	18%
	DC*	Malaysia (1.0%), Thailand (0.9%), Indonesia (0.3%), Bolivia (0.2%), Turkey (0.1%), Ecuador (0.1%)	2.6%	43%

Source: Eurostat (2009)

*Developing countries

¹ Due to rounding off, shares might not add up to exactly 100%.

Cocoa

Germany is a large importer of cocoa products. It ranked second in the EU for imports of cocoa beans and cocoa paste, and first for cocoa butter and powder. Imports of cocoa beans, paste and butter showed a positive development regarding value as well as volume during the review period. The import value of cocoa powder decreased, while the volume increased.

Between 2004 and 2008, imports of cocoa beans increased by 13% annually in value and by 9.7% in volume. This amounted to € 553 million / 334 thousand tonnes in 2008 or 20% of EU imports. A relatively large proportion of beans is sourced in other EU countries compared to the EU average. This mainly concerns re-exports by The Netherlands. Among the major

developing country suppliers, Ivory Coast, Togo and Nigeria are important. Imports from Togo (122%), Nigeria (31%) increased very strongly, while imports from the Ivory Coast showed a modest increase (7.8%) and imports from Ghana decreased (2.8%).

In 2008, Germany imported cocoa paste worth € 131 million / 53 thousand tonnes. Imports increased by 9.4% in value and 3.7% in volume annually since 2004. Paste is relatively often imported from EU countries, mainly The Netherlands. Although imports from developing countries increased by 38% annually on average, while imports from EU countries increased by 9.4%, developing countries remain of limited importance. Only Ivory coast and Ghana play an important, role showing high growth rates.

Germany accounted for 21% of EU imports of cocoa butter in 2008, amounting to € 377 million / 86 thousand tonnes. Imports increased by 12% in value and increased by 0.4% in volume annually since 2004. The role of the developing countries is limited to 2.4% of total imports. The Netherlands was by far the largest supplier. The imports from developing countries increased by 89% per year. Ghana was the leading DC exporter with a market share of 1.2%.

German imports of cocoa powder amounted to € 62 million / 46 thousand tonnes in 2008, accounting for 19% of EU imports. Between 2004 and 2008, imports of cocoa powder decreased by 12% in value, but increased by 1.9% in volume. The Netherlands was the main supplier of cocoa powder to Germany. Small but rapidly decreasing amounts of cocoa powder were imported from developing countries.

Exports

Coffee

Germany is, after Belgium, the second largest re-exporter of coffee in the EU, accounting for 31% of total EU coffee exports, amounting to € 280 million / 146 thousand tonnes in 2008. German exports of green coffee increased by 19% in value annually, which was below the EU average. Main export destinations were Austria and Poland. Due to its large domestic roasting sector, Germany is the leading EU exporter of roasted coffee with a market share of 32%. Between 2004 and 2008, the exports of roasted coffee increased by 21% in value and 9.6% in volume. The exports are mainly destined for the USA, France and The Netherlands.

Tea

Germany is the second largest exporter of tea in the EU, accounting for 24% of total EU tea exports, amounting to € 141 million / 27 thousand tonnes in 2008. German exports show a stronger development than the EU average. In contrast to the UK, German exports increased in value as well as in volume and now amount to almost two thirds of UK exports. Between 2003 and 2007, the value increased on average by 7.0% per year and the volume by 5.4%. Germany is the largest exporter of green tea. Most tea is exported to France, The Netherlands and Russia. Germany re-exports a large part of its tea imports, also tea which is already blended and packaged (ITC, 2007).

Cocoa

Although Germany takes the third place in exports of cocoa beans, butter and powder and second for paste, its importance is rather limited compared to The Netherlands. Regarding cocoa beans, Germany accounts for only 2.3% of total exports, for cocoa paste 18%, for cocoa butter 4.0% and for cocoa powder 10%. As such, the main users of German-processed cocoa products are domestic food companies.

German cocoa bean exports increased annually by 9.7% to € 12 million / 6.8 thousand tonnes in 2008. Exports of cocoa paste and butter increased substantially by 32% to € 83 million / 39 thousand tonnes, and of cocoa butter by 40% to € 102 million / 23 thousand tonnes. Exports of cocoa powder decreased by 3.7% in value but increased by 11% in volume, to € 55 million / 51 thousand tonnes in 2008. All exports were mostly oriented towards other EU and East European countries.

Opportunities and threats

- + Germany is the largest importer of coffee in the EU and total imports are increasing.
- + Germany is the second largest importer of tea in the EU and imports are increasing. Developing countries accounted for 80% of German tea imports, with black tea being the most important product. Furthermore, imports of green tea are increasing really fast.
- + Germany is a leading importer of cocoa products in the EU. Imports of cocoa beans, paste and butter showed a positive development during the review period, while cocoa powder imports decreased. Developing countries played an important role as the main sources for cocoa beans.
- + Germany is a leading (re-)exporter of all three commodities, meaning that the country plays an important role as an entry port to the EU. Developing country suppliers should keep that in mind when exporting to Germany.
- + Germany plays an important role in the trade of certified 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

- 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
- International Coffee Report, World Tea Markets, Chocolate & Confectionery International -
<http://www.agra-net.com>

4. Prices developments

As prices for coffee, tea and cocoa are global market prices, German prices should show limited deviation from those prices. Germany plays an important role in the trade of coffee. This is also reflected in import prices, which are below the EU average. Tea import prices are slightly higher than the EU average while cocoa prices are average. This is surprising, considering Germany's role as a first entry point for a large share of EU tea and cocoa imports.

German retail prices for coffee are average in the EU. In 2008, the average price of a kilo of coffee amounted to € 7.71 (ICO, 2009). However, considering the huge impact which discounters have on the German market, it can / could be expected that price levels were lower. This could be caused by the increasing popularity of more expensive espresso and specialty coffees.

The survey covering the EU provides more information on price developments. However, prices of coffee, tea and cocoa provided should be used only as a reference point, as they depend on origin and buyer preferences. Actual prices are dependent on negotiation with partner companies, and expressed as differentials of future market prices in the case of coffee, or are dependent on developments at the auction level for tea. Owing to specific preferences in the kind of products consumed, average import prices, especially for tea, will deviate between countries, as these products differ in price.

Useful sources

There are no country-specific sources of price information available for Germany. The websites of large retailers like Aldi (<http://www.aldi.de>) and Metro (<http://www.metro-cc.com>) can, however, provide some information on retail prices. Please, refer to Chapter 5 of the survey covering the EU for useful sources.

5. Market access requirements

As a manufacturer in a developing country preparing to access Germany, you should be aware of the market access requirements of your trading partners and the German government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. 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 food ingredients and Germany 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://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

General 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) can be found in CBI's export manuals 'Export Planner' and 'Your image builder'. Furthermore, cultural awareness is a critical skill in securing success as an exporter. Information on cultural differences in the EU can be found in chapter 3 of CBI's export manual 'Exporting to the EU'. These manuals can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications.

Sales promotion

Common practices of trade promotion in Germany should not differ considerably from other European countries. However, please keep in mind that the trade of conventional cocoa and cocoa products, tea and coffee is extremely concentrated because of different companies dominating the different product groups across and within national markets. A substantial and increasing percentage of Germans speak English, especially when they are in the trade business.

Assistance with market entry can also be sought through local business support organisations, import promotion organisations such as CBI and branch organisations focusing on coffee, tea and cocoa, or the (organic) food sector. Interesting *trade associations* in Germany are:

- League of Foodstuffs Legislation and Customers/ Bund für Lebensmittelrecht und Lebensmittelkunde - <http://www.blm.de>
- National- association of Foodindustries / Bundesvereinigung der Deutschen Ernährungsindustrie - <http://www.bve-online.de>
- Deutscher Kaffeeverband / German Coffee Association - <http://www.kaffeeverband.de>
- Deutscher Teeverband / German Tea Association - <http://www.teeverband.de>
- Bundesverband der Deutschen Susswarenindustrie / German Confectionery Industry (BDSI) - <http://www.bdsi.de>
- Stiftung der Deutschen Kakao- und Chokoladenwirtschaft / Foundation of the German Cocoa and Chocolate Industry - <http://www.kakao-stiftung.de>

- Verein der am Rohkakaohandel Beteiligten Firmen / German Cocoa Trade Association - <http://www.kakaoverein.de>
- Deutscher Konditorenbund / League of confectioners - <http://www.konditoren.de>

Trade press can function as a means for gaining insight into market developments and competition, but can also have a promotional function. This concerns finding potentially interesting companies, as well as promotion of your own activities and products. Major trade press of EU-wide significance is mentioned in the CBI document 'From survey to success: guidelines for exporting coffee, tea and cocoa to the EU'. *Trade press* of interest in Germany is:

- Lebensmittelwelt.de - <http://www.lebensmittelwelt.de>
- Lebensmittel Zeitung - <http://www.lz-net.de>

Trade fairs offer companies in developing countries the opportunity to establish contacts, promote their products and conduct EU market orientation. Major fairs of EU-wide significance are mentioned in the CBI document 'From survey to success: guidelines for exporting coffee, tea and cocoa to the EU'. *Trade fairs* of interest in Germany are:

- Biofach - <http://www.biofach.de>
- ANUGA - <http://www.anuga.com>

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

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