CBI MARKET SURVEY

THE COFFEE, TEA AND COCOA MARKET IN THE CZECH REPUBLIC

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Introduction
This CBI market survey gives exporters in developing countries information on some main developments in the coffee, tea and cocoa market in the Czech Republic. 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 other 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. Having certification in place improves your market access in this country as well as the rest of the EU. Although production of organic products in the Czech Republic is of importance, with 8.9% of the land used for organic production, its domestic organic market is still very limited in size. In addition, in 2007 the Czechs spent € 52 million on organic food (FiBL, 2009).

Note that the consumption data of coffee and tea in this chapter concern the Czech 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 Czech blenders and roasters can be imported from traders in the main EU trade centres. Regarding roasted coffee, developing countries play a very limited role as this is predominantly sourced in other EU countries.

Coffee
The Czech Republic is a medium-to-small consumer of coffee in the EU, with a market share of 1.6% (International Coffee Organization (ICO), 2009). Between 2004 and 2008, coffee consumption increased by 0.7% annually, amounting to 37 thousand tonnes in the latter year. According to Euromonitor, coffee consumption showed a moderate increase during this period in volume terms. The increase in consumption was caused by a wider variety of speciality coffee products as well as a clear preference for instant coffee (Euromonitor, 2009). Private labels account for a very limited share of the market, as multinationals in particular are focusing on building brand awareness among Czech consumers.

Per capita consumption of coffee in the Czech Republic is below the average in West European countries. In 2008, per capita consumption amounted to 3.5 kilograms. This was significantly below the EU average of 5.0 kg (ICO, 2009).

Tea
The Czech Republic is a medium-sized tea consumer, with an EU market share of 1.2% in 2008. Total tea consumption in the Czech Republic increased annually by 6.5% between 2004 and 2008, amounting to 3.1 thousand tonnes in the latter year.

Per capita tea consumption in the Czech Republic is gradually increasing and amounted to 0.3 kg in 2008 (International Tea Committee, 2009). A tea culture is slowly forming in the Czech Republic, partly focused on the establishment of many tearooms.

Fruit/herbal as well as green tea were the most popular groups, accounting for the majority of total sales. However, please note that herbal infusions do not offer opportunities for developing country tea producers, as they often do not contain tea. Consumption of standard black tea is limited and continued to fall.

Cocoa
The Czech Republic is a medium-sized consumer of cocoa taking the 11th place in the EU, with a market share of 1.6% in 2007/2008 (International Cocoa Organization (ICCO), 2009). The apparent consumer of cocoa[1], in the Czech Republic was 23 thousand tonnes. Between 2003/2004 and 2007/2008, imports decreased by 3.7% annually.

No data were available for the Czech Republic on cocoa bean grindings and chocolate consumption. However, according to industry sources, chocolate production (and consumption) in the Czech Republic is the highest of all Central and East European countries.

According to industry sources, consumption of chocolate-based flavoured powder drinks is very popular. These drinks come in many varieties and, as they are enriched with vitamins and calcium, they are considered healthy. The recent Czech baby boom, health considerations and extensive marketing all support the growth of these products.

Trends in consumption
Despite the slower economic growth in the Czech Republic, further consumption growth can be expected for both coffee and tea in the near future. New coffee products, more variety in coffee products preferred by consumers and the fact that more and more Czech households own coffee machines drive consumption. Health awareness amongst consumers has increased the popularity of tea, especially flavoured, green and herbal tea, as opposed to black tea which marked a decrease in consumption.

The Czech organics market is booming, according to the German Research Institute of Organic Agriculture (FiBL 2009). For future years, further growth is also expected, especially due to the development of a more mature retail structure.

Chocolate consumption in the Czech Republic, already extensive, is expected to grow further in the coming years, as chocolate is becoming more affordable and available. According to industrial sources, the Czech chocolate market is shifting from mainly low-quality chocolate coatings to high-quality products and confectionery chocolate. In addition, Czech consumers are now focused on quality rather than price, when shopping for chocolate. However, the economic situation currently affecting the Czech Republic could (temporarily) slow down this development.

Production
Because of climatic conditions, no production of coffee, tea and cocoa beans takes place within the EU. The Czech Republic is fully dependent on imports of these products from other countries. Nevertheless, production of herbal teas takes place in the Czech Republic.

[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.

No significant grinding of cocoa beans takes place in the country. Tea and coffee processing predominately takes place in the EU, and the Czech Republic has several players. More information on Section 2 of this survey.

Opportunities and threats

\+ An increase in tea consumption is expected to boost sales in the coming years. Producers in developing countries will have interesting opportunities in this market, if they penetrate the Czech market effectively. Future growth is also expected for the coffee market.

+/- Although the Czech (organic) coffee, tea and cocoa markets are (in general) growing, a challenge is that Czechs still base most purchases on price, as Czech consumers and firms are very price-sensitive. Therefore the quality of coffee, tea and cocoa sold on the Czech market is often quite limited. Although this changed during the last couple of years, renewed economic uncertainty could reverse this development. According to industry sources, opportunities will certainly remain in the lower brackets of the market and, after the coming uncertain period for premium products, this market segment should also pick up again in future years.

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 the Czech Republic 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.

- Euromonitor offers information on the Czech market for Hot Drinks, including coffee, tea and cocoa drinks - http://www.euromonitor.com
- Czech Invest - http://www.czechinvest.org
- Czech Statistical Office - http://www.czso.cz

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 these 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.

The Czech coffee and tea market is, to a large extent, in the hands of international companies such as Kraft, Teekanne, Unilever and Nestlé, which are working in the Czech Republic under their own brands. Furthermore, other major brands are in the hands of foreign companies, such as Balirny (owned by a Polish coffee producer) and Jemca which is a subsidiary of a British tea company. However, the largest coffee roaster, Marila Balirny is a Czech domestic company.

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 the Czech Republic.

Key players in the coffee, tea and cocoa markets in the Czech Republic are:
- Marila Balirny is the largest roaster in the Czech Republic - http://www.marila-balirny.cz
- Tchibo Praha, part of the German Tchibo Group, is a leading Czech coffee roaster, but imports much of its products from its German roasting operations - http://www.tchibo.cz
- Jemca, part of Tata Group - http://www.jemca.cz
- Sara Lee is highly active on the Czech market, operating under the DE brand - http://www.douwe-egberts.cz
- Mokate, a leading tea blender - http://www.mokate.cz
- Carla is a chocolate manufacturer in the Czech Republic - http://www.carla.cz
- Pro-Bio is the country's largest distributor and processor of organic food, also with its own chain of organics shops - http://www.pro-bio.cz/
- Tesco (http://www.tesco-shop.cz) and Billa/Rewe (http://www.rewe-group.cz) are leading the sales of organic products in the Czech Republic.

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
The Czech Republic is one of the smallest importers of green coffee, accounting for only 0.5% of total EU imports. The volume of green coffee imports in the Czech Republic dropped from 26 thousand tonnes in 2004 to 15 thousand tonnes in 2008, resulting in a decline of 12%. At the same time, the value increased by 9.2% in the review period.

Developing countries cover 83% of Czech green coffee imports. Brazil is the main supplier of green coffee to the Czech Republic, accounting for 31% of its imports. Brazil's contribution showed a significant increase of 35% in value and 17% in volume since 2004. Vietnam (14% market share), Colombia (7.9%), Peru (6.8%), Honduras (6.4%), Indonesia (6.3%), Ethiopia (4.5%) and Kenya (2.1%) follow. Of those countries, Ethiopia and Kenya achieved significant annual increases of 60% and 74% respectively.

Most EU countries import part of their coffee needs as roasted coffee, a market in which developing countries play a negligible role. The Czech Republic imports 56% of its coffee as roasted, which is much higher than the EU average level (15%). Imports of roasted coffee rose to € 70 million in 2008 coming from € 18 million in 2004. Nevertheless, 98% of roasted coffee in the Czech Republic is being imported from neighbouring and not developing countries.

Tea
The Czech Republic is a medium-to-small importer of tea, with a share of 1.7% of EU imports. The Czech Tea imports increased by 17% in value and by 6.2% in volume between 2004 and 2008, totalling € 15 million / 3.0 thousand tonnes in 2008.

Only 24% of Czech tea imports was supplied by developing countries. Sri Lanka's contribution is 15% and showed an average annual increase of 18% since 2004. China and India follow with market shares of 5.3% and 2.7% respectively. China showed an annual increase of 11% while India marked a slight decrease of 1.9% between 2004 and 2008. China (followed by Sri Lanka) has a significant role in the green tea imports by the Czech Republic.

In 2008, black tea was the dominant type of tea imported to Czech Republic covering 75% of total tea imports, compared to green tea which covered the rest. Both black and green tea Czech imports increased. More specifically, Czech imports of black tea amounted to € 10 million / 2.1 thousand tonnes in 2008. Green tea imports increased by 21% in value and 9.1% in volume, amounting to € 4.3 million / 850 tonnes in 2008.

Cocoa

The Czech Republic is a medium-to-small importer of cocoa products, accounting for a market share between 0.0% (cocoa beans) and 1.7% (cocoa paste and powder) of the total EU market. The Czech Republic did not import cocoa beans in 2008. Imports of cocoa paste showed a sharp increase between 2004 and 2008, amounting to € 12 million / 5.2 thousand tonnes. Imports of cocoa butter increased by 65% in value and 45% in volume annually between 2004 and 2008, amounting to € 15 million / 3.5 thousand tonnes in the latter year. On the other hand, imports of cocoa powder declined by 9.4% in value annually, although showing a small increase in volume, totalling € 5.6 million / 4.5 thousand tonnes in 2008.

Almost all Czech imports of cocoa butter and paste, as well as half of cocoa powder come from The Netherlands. Developing countries play no role in the imports of cocoa products by the Czech Republic.

Exports

Czech exports of green coffee are negligible and those of roasted coffee small, but rising. Between 2004 and 2008 there was a significant increase in exports of roasted coffee which resulted in an annual change of 37% and 17% in value and volume respectively. The vast majority of recipients is European countries.

The Czech Republic is a small tea exporter, with exports totalling € 5.4 million / 653 tonnes in 2008. However, exports increased by 52% annually between 2004 and 2008 and almost all of them were exported to the Czech Republic's neighbouring countries.

The Czech Republic does not export cocoa beans, paste or butter. There are still some very limited exports of cocoa powder, but between 2004 and 2008 these exports show a very sharp decrease.

Opportunities and threats

+ Imports of roasted coffee in the Czech Republic showed a significant rise. However, the Czech market is mainly supplied with coffee roasted in the EU.
-/+ Although green coffee's imports in the Czech Republic are declining, developing countries are the dominant supplier in this sector.
+ Imports of both black and green tea are growing, with green tea having an increasingly important role
+ There is a significant increase in the imports of cocoa butter and paste.
- The Czech Republic turns to European markets for both tea and cocoa imports.

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, Czech 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.

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 the Czech Republic, you should be aware of the market access requirements of your trading partners and the Czech 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 'Czech Republic' 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 the Czech Republic, visit the following websites:

Trade associations

- Federation of the Food and Drink Industries of the Czech Republic / Potravinárská Komora Ceské Republiky (PKCR) - http://www.foodnet.cz
- Bioinstitut in the Czech Republic - http://www.bioinstitut.cz

Trade fairs

- Top Gastro 2010, 4th annual gastronomic exhibition. Most recently held in Prague in February 2010 - http://www.top-gastro.cz
- Salima, International Food Fair. This event is hosted once in every two years in March. The most recent event was in March 2010 - http://www.bvv.cz/salima-gb

Trade press

- Green Marketing gives information on the organic market - http://www.greenmarketing.cz
- Moderní Obchod online magazine - http://www.mobchod.cz (website in Czech only)

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