

CBI MARKET SURVEY

THE COFFEE, TEA AND COCOA MARKET IN POLAND

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 Poland. 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. Although this market is hardly developed in Poland, having certification in place improves your market access in this country as the rest and of the EU. Growth is constricted by the very high price differential between organic and conventional. In 2006, the Polish spent € 50 million on organic products which corresponds to € 1 per capita. (FiBL 2009).

Note that the consumption data of coffee and tea in this chapter concern the Polish 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, because Poland also imports processed products. Moreover, coffee and tea intended for Polish 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.

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

Coffee

Poland is a rather large consumer of coffee and was responsible for 3.0% of total EU consumption in 2008 (International Coffee Organization (ICO), 2008). Total coffee consumption in Poland amounted to 71 thousand tonnes in 2008. Between 2004 and 2008 consumption of coffee showed a remarkable decrease of 15%. However, the Polish traditionally consume more tea than coffee.

The coffee market performed much better in value, due to an increased demand for premium and medium-priced coffees instead of cheaper products. Furthermore, the increasingly busy way of living in Poland boosts demand for instant coffee. At the same time the wider variety of coffee products available, makes coffee more popular. Following longer established trends in other EU countries, more coffee and tea bars are opening (Euromonitor 2009). Brand

awareness in the Polish market is quite high, which is unusual in fast-moving consumer goods market.

Tea

After the UK, Poland is the biggest tea consumer in the EU with a market share of 12% in 2008. Between 2004 and 2008, tea consumption decreased by 0.9%, totalling 31 thousand tonnes in the latter year. Polish per capita consumption of tea, in 2008, amounted to about 800 grams, which is higher than the EU average of 500 grams (International Tea Committee, 2009).

Tea is very popular in Poland and has a long tradition. Black tea is widely consumed, although consumption showed a decrease in the past few years. According to industrial sources, a large part of tea consumption still consists of traditional black tea. Nevertheless, according to Euromonitor, this scene tends to change, as green and fruit/herbal teas are becoming more popular. The market is focusing more on convenience and premium products, with bagged tea outnumbering the more difficult to prepare loose black tea (Euromonitor, 2009). Moreover, functional teas are quite popular in Poland, with properties such as stress relief, detoxing and energy-boosting.

Cocoa

Poland is a large consumer of cocoa, taking the 6th place in the EU, with a market share of 5.2% in 2007/2008 (International Cocoa Organization (ICCO), 2008). The apparent consumption¹ of cocoa increased by an annual 7.0% between 2003/2004 and 2007/2008 and amounted to 73 thousand tonnes.

Poland is a medium-sized cocoa bean grinder, with an EU market share of 1.0% (ICCO, 2007). Total grindings decreased by 16% annually between 2003/2004 and 2008/2009, amounting to 10 thousand tonnes in 2008/2009.

Polish per capita consumption of chocolate was 1.9 kg per year in 2007/2008, which is low compared to the EU average of 2.8 kg per year. However, consumption is increasing.

Trends in consumption

According to the European Commission, the economic future for Poland appears brighter than for many of its neighbouring countries. In addition, the hot drinks sector is relatively intact after the economic decline and a stable development for both coffee and tea is expected. Within the coffee sector, there appears to be a clear trend towards premium coffee, such as cappuccino and espresso. On the other hand, a turn towards cheap products can be expected resulting in the polarisation of the coffee sector. Respectively, in the tea market green and herbal teas are becoming more common choices than they used to be (Euromonitor, 2009). Further growth of cocoa consumption can also be expected.

Production

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

Poland is the 8th largest grinder of cocoa beans in the EU. The country has grinding operations processing cocoa beans from developing countries; however, grinding is increasingly taking place in countries such as The Netherlands and Germany. Tea and coffee processing predominately takes place in the EU, and Poland has several players, some foreign owned. For more information on these companies, please refer to section 2 of this market survey.

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.

Opportunities and threats

- ± Poland remains an important market for coffee, even with its recent contraction. Moreover, the future development will be more favourable. Still, Polish people tend to drink their coffee mainly at home and mostly drink less expensive varieties. Out-of-home coffee consumption in specialist coffee houses is still underdeveloped in Poland. So far, this limits opportunities for developing country producers of specialist (organic/Fair-Trade/high quality) varieties.
- + Black tea consumption has been decreasing. Still, Poland is the second largest market in the EU making it one of the most interesting markets for tea. The developments in its herbal infusions market offer few opportunities for developing countries, as they often do not contain tea. Furthermore, an increase in the consumption of herbal infusions could occur at the expense of (black) tea consumption.
- ± Decreasing domestic cocoa grinding activities will lower the demand for cocoa beans. At the same time, imports of processed cocoa products are needed to meet increasing domestic demand for cocoa butter, powder and paste. However, West European players are dominant on this market, which means that opportunities for developing countries, apart from supplying cocoa butter, are limited.
- The worsening economy could affect sales of premium products and, as such, the imports of high quality coffee, tea and cocoa into Poland. The effects are expected to be less than in other EU countries.
- ± The growth in the organic sector is particularly of interest to German players, since the sector is already a developed market for organic products. German traders find good opportunities in the Polish market, as the Polish distribution channels are still underdeveloped.

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 Poland 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 Polish market for Hot Drinks, including coffee, tea and cocoa drinks - <http://www.euromonitor.com>
- Ekogwarancja - <http://www.ekogwarancja.pl> (website in Polish only)
- Agro Bio-test - <http://www.agrobiotest.pl>

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. Polish traders of tea play a considerable role.

Multinationals lead the Polish market for coffee, tea and cocoa. Sara Lee leads the coffee market with its brand Prima Café. Kraft, Tchibo and Nestlé account for a large portion of the remaining market. Unilever is the market leader in tea with three of the main brands in Poland; Saga, Lipton and Brooke Bond. Due to their global buying strategies, these companies are not likely to open up opportunities for developing country exporters on the Polish market. However, these leading companies face increasing competition from a number of smaller (local) processors, who are gaining presence in both tea and coffee and might be an interesting trade channel for exporters, especially of tea. Poland has limited demand for cocoa beans, but there are several companies trading and distributing processed cocoa products and, especially, a high number of food processors using processed cocoa products although some of them are also foreign-owned.

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 Poland.

The importance of alternative distribution channels – specialised tea shops with high-quality teas and coffees – can be noticed in Poland. Interesting chains are:

- Pozegnanie z Afryka - <http://www.pozegnanie.com>
- Dilmah - <http://www.dilmah.pl>
- Czas na Herbate - <http://www.herbata.net>

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

- Elite café, roaster and sales agent of the brand Elite café, a well known brand in Poland - <http://www.elite.pl>
- Mokate, producer of coffee, tea (number two in Poland), cocoa, cocoa drinks and creamers, which is increasingly active on other Central and East European markets - <http://www.mokate.com.pl>
- Premium Foods, the second largest Polish tea blender with its Vitax and Flosana, was acquired by Tata Tea in 2007, also distributing the Tata brand - <http://www.premiumfoods.pl>
- Celiko, producer and distributor of granulated teas, coffee, cocoas and creams and herbal teas - <http://www.celiko.com.pl>
- Herbapol, tea blender, mainly focusing on health and herbal teas - <http://www.herbapol.com.pl>
- E-herbata, a herbal tea blender - <http://e-herbata.pl>
- Zas-Pol, a (herbal) tea blender <http://www.zas-herbaty.com.pl>
- Natur-vit is a processor and distributor of organic and herbal tea - <http://www.natur-vit.pl>
- Product Promotion Ltd., cocoa trader - <http://www.pp.biz.pl>
- Ziolopex, trade of cocoa products - <http://www.ziolopex.com.pl/>
- DOTI Chocolate Garden, manufacturer of chocolate - <http://www.doti.pl>

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

Poland is a medium importer of coffee, taking the 11th place in the EU and accounting for 1.8% of total EU imports. In 2008, imports of green coffee amounted to € 105 million / 60 thousand tonnes, signifying an annual increase of 7.8% in value, but a decrease of 13% in volume between 2004 and 2008.

Developing countries account for 31% of green coffee imports. Nevertheless, these imports showed an annual decrease of 12% in value and 28% in volume since 2004. Vietnam was the largest green coffee supplier to Poland in 2008, accounting for 8.3% of imports, seeing its imports drop by 20% annually since 2004. Laos (7.1% market share), Peru (3.8%), Brazil (3.3%) and Colombia (2.1%) follow, all seeing their shares either on a stable or a decreasing level.

Most EU countries import part of their coffee needs as roasted coffee, a market in which developing countries play a negligible role. Still, 76% of coffee is imported into Poland in the form of green coffee. Compared to the EU average (15%) Poland imports a relatively large percentage of its coffee as roasted (24% in volume). This shows that the domestic roasting in Poland is not sufficient for the consumption. Roasted coffee imports in Poland amounted to € 69 million / 18 thousand tonnes, increasing annually by 14% between 2004 and 2008.

Tea

Poland is a medium to large importer of tea, accounting for 7.7% of total EU tea imports, ranking 5th among the EU countries. Between 2004 and 2008, imports of tea increased in value by 6.7% annually, while decreasing by 0.9% in volume. In 2008, imports amounted to € 68 million / 31 thousand tonnes.

The market share of developing countries is high (68%) in Polish tea imports. Imports sourced in developing countries increased annually by 4% in value and decreased by 4.2% in volume between 2004 and 2008. Sri Lanka now accounts for 19% of total imports, followed by Kenya (12%), India (11%), China (9.1%), Indonesia (8.2%) and Vietnam (4.3%). However, imports from EU countries such as Belgium, Germany and The Netherlands are growing at a faster pace.

Polish tea imports consist for 93% of black tea. Imports increased moderately by 3.0% in value and decreased by 3.1% in volume annually between 2004 and 2008, amounting to € 55 million / 27 thousand tonnes. Green tea imports increased sharply by 38% in value and 26% in volume, amounting to € 13 million / 4.2 thousand tonnes. This shows that Polish consumers are very receptive to green tea, as Poland already ranks in the 4th place among the total EU green tea importing countries.

Cocoa

Poland is a medium to small importer of cocoa beans, although of decreasing importance. In 2008 it ranked 10th among EU countries, accounting for 0.5% of EU imports. In 2008, imports of cocoa beans amounted to € 14 million / 10 thousand tonnes, an annual decrease in value of 17% and in volume of 18% since 2004. Poland is the 5th largest importer of cocoa paste in the EU, accounting for 11% of EU imports. Between 2004 and 2008, imports of cocoa paste increased annually by 10% in value and 4.8% in volume, amounting to € 79 million / 34 thousand tonnes. Poland is the EU's 7th largest importer of cocoa butter. Between 2004 and 2008, imports of cocoa butter increased annually by 18% in value and 7.6% in volume, totalling € 92 million / 21 thousand tonnes. Imports of cocoa powder decreased slightly in value by 2.1%, while volumes increased by 16% annually. In 2008, imports amounted to € 23 million / 21 thousand tonnes.

Polish imports of cocoa beans are mainly supplied by developing countries (97%), sharing a small, but positive development. The principal suppliers are Ivory Coast (80% of total imports) and Togo (17%). EU suppliers' importance is small and decreasing. Regarding cocoa paste, developing countries play a substantial role too, accounting for 43% of total imports in 2008. Main developing country suppliers are Ivory Coast (26%) and Ghana (16%) with the former showing a slight annual decrease and the latter increasing sharply by 41% per year. The role of developing countries for cocoa butter and cocoa powder is lower than the role of EU countries. The Ivory Coast (20% for cocoa butter, 2.1% for cocoa powder) is the leading developing country supplier to Poland. Ivory Coast's share in Polish cocoa butter imports increased slightly while for cocoa powder it decreased by 26% annually since 2004. The Netherlands (56% of cocoa butter and 43% of cocoa powder) is the most important EU supplier.

Exports

Poland is the 6th largest exporter of green coffee in the EU, accounting for 0.8% of EU exports. Its distance from leading exporters is very large. In 2008, exports amounted to € 7.0 million / 1.0 thousand tonnes, an annual increase of 74% in value since 2004. Exports of roasted coffee are more important and amounted to € 59 million / 17 thousand tonnes, increasing by 20% in value and 4.6% in volume. Poland exports coffee mainly to East and Central European countries and Germany.

Poland is the EU's 5th largest tea exporter, accounting for 7% of total EU tea exports. In 2008, exports amounted to € 42 million / 7.0 thousand tonnes, directed mostly to EU countries. Between 2004 and 2008, exports increased by 20% annually in value and by 9.7% in volume, which was far better than other major exporters. These high percentages are mostly driven by the rise in green tea exports, which marked an annual increase of 55%.

Polish exports of cocoa beans are negligible. However, it is the 5th largest exporter of cocoa paste in the EU. In 2008, the fast increasing exports of cocoa paste amounted to € 16 million / 7.0 thousand tonnes. Although Poland was the 7th exporter of cocoa butter and cocoa powder, it represented only around 1% of EU exports. In 2008, exports of cocoa butter totalled € 7.8 million / 1.5 thousand tonnes and exports of cocoa powder € 7.2 million / 7.6 thousand tonnes. Russia and Germany are the main receiving countries of the Polish cocoa exports.

Opportunities and threats

- + Poland is an interesting market for developing country tea producers, especially for black tea. However, imports from developing countries decreased during the review period. Still, their share is much higher than in the EU on average. Green tea imports are increasing significantly.
- + Poland is an interesting market for cocoa suppliers in developing countries, especially for cocoa paste and cocoa butter.
- The Polish coffee market relies on imports sourced in other EU countries, meaning that producers in developing countries, who want to enter the Polish market, will face very strong competition. Moreover, Polish imports showed a very unfavourable development.

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, Polish prices should show limited deviation from those. The survey covering the market in 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.

Polish coffee retail prices are quite low compared to most other EU countries, at € 6.94 per kilo (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 Poland, you should be aware of the market access requirements of your trading partners and the Polish 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 'Poland' 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 Poland, visit the following websites:

Trade associations

- Polish Federation of Food Industry / Polska Federacja Producentów Żywności (PFPZ) - <http://www.pfpz.pl>
- Polbisco - <http://www.polbisco.pl> (website in Polish only)

Trade fairs

- Polagra-food is the largest food-processing fair in Central and Eastern Europe. The most recent event was held 14-17 September 2009 - <http://www.polagra-food.pl>
- An extensive list of other trade fairs - <http://www.eng.arr.gov.pl/printer.php?client=html&inoId=46>
- Euro Gastro trade fair for 2010 takes place in Warsaw Poland 24 – 26 March 2010 - <http://www.biztradeshows.com/trade-events/euro-gastro.html>

Trade press

- Poradnik Handlowca - <http://www.poradnikhandlowca.com.pl>
- Przegląd Piekarski i Cukierniczy - <http://www.ppic.pl>

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

Disclaimer CBI market information tools: <http://www.cbi.eu/disclaimer>