

CBI MARKET SURVEY

THE COFFEE, TEA AND COCOA MARKET IN THE UNITED KINGDOM

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Report summary

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

- The UK is only a medium-sized consumer of coffee in the EU, but this is increasing. The trend is expected to continue, both in the dominant instant coffee market, but also for ground, premium and certified coffee.
- The UK is the largest tea consumer in the EU. As the UK black tea market is very mature the consumption remains rather static. The consumption of green and fruit teas is, however, strongly increasing.
- The UK is a significant cocoa grinder while the per capita chocolate consumption amounted to 10 kg in 2007 which is higher than the EU average.
- Due to the high consumption of soluble coffee, imports of coffee are often sourced in other EU countries. However, the UK imports substantial quantities of green coffee of which 90% are sourced in developing countries.
- The UK is the focal point of the international tea trade and therefore an interesting market for developing country tea producers. Besides the large volumes of imported tea needed to supply the high per capita tea consumption, considerable re-exports also take place. Furthermore, developing countries hold a large share in imports (91%).
- Imports of cocoa products into the UK are relatively limited; the developing countries' import market share for cocoa beans is big (91%); while for cocoa paste (25%) and cocoa butter (37%) quite significant.

This survey provides exporters of coffee, tea and cocoa with sector-specific market information related to gaining access to the United Kingdom. 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. The UK used to lag slightly behind other EU countries regarding organic assortment and availability, but organic sales are now booming in the UK. According to the Research Institute of Organic Agriculture (FiBL), the UK is the fastest growing market for organic products. In 2006, the UK was the second biggest market for organic products in the EU with a turnover of € 2.6 billion (FiBL, 2009). The organic market share was 2.5% in the UK. Organic sales largely take place through multiple retailers, which held a market share of 75% in 2007, well above the EU average. Waitrose was the retailer market leader in organic sales (FiBL, 2008).

In 2007, the retail value of Fair Trade certified products in the UK was estimated at € 881 million, signifying an increase of 43% compared to the previous year (FLO, 2009). This makes the UK the largest EU market for fair trade products. Moreover, double certification is also relatively more applicable, compared to other EU countries. Because of increased participation by retailers in the sustainable segment of coffee in the UK, consumer awareness is growing. Besides organic and Fair-Trade certification, other certifications on the UK sustainable coffee market are the Ethical Trade Initiative and the Rainforest Alliance Certification (ITC Coffee Guide 2009).

Note that the consumption data for coffee and tea in this chapter concern the United Kingdom's 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, because the UK also imports processed products. Moreover, imports are not necessarily sourced directly in developing countries. 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), the UK is the 5th largest coffee consumer in the EU, with a market share of 7.7% (ICO, 2009). This is comparable to countries with a much smaller population, such as Spain. Total UK coffee consumption increased over the period 2004-2008, by an average annual increase of 5.8%, amounting to 184 thousand tonnes in 2008. Premium specialty coffee is an important stimulant for the UK coffee market. However, per capita coffee consumption remains quite low compared to other EU countries, totalling only 2.4 kg in 2008. Coffee consumption in the UK still predominately consists of instant coffee, although sales of ground coffee and roasted beans are increasing faster.

The UK is the leading EU market for Fair-Trade-certified coffee, with volume sales amounting to 8 thousand tonnes in 2007. Between 2007 and 2008, the value of retail sales of Fairtrade certified coffee increased by 17% amounting to € 172 million (FLO, 2009). According to Euromonitor, an international market research group, some UK retailers (i.e. Marks & Spencer and Co-Op) switched all their coffee and tea products to Fairtrade. Moreover, Kraft joined the Rainforest Alliance certification scheme for its entire Kenco brand. These are leading examples, indicating the increasingly ethical considerations amongst British consumers. Coffee continues its course within the hot drinks sector in the UK, with the main characteristics of the coffee market being innovative, convenient and easily accessible products (Euromonitor, 2009). Important to note it that, in the UK, coffee is also often double certified, both organic and Fairtrade. Although there is a lot of Fairtrade coffee on the market, coffee which is certified solely as organic is not very common.

Coffee consumption in the UK is rather different compared to coffee consumption in other EU countries. Consumers in the UK prefer instant/soluble coffee instead of espresso or drip coffee. According to the British Coffee Association, 85% of coffee consumption in the UK is comprised of instant coffee, 15% is roasted and ground coffee. This practice is, to a large extent, related to convenience and availability.

Tea

According to the International Tea Committee (ITC), the UK is the largest tea consumer in the EU, with a market share of 52% in 2008 (ITC, 2009). Total tea consumption in the UK was somewhat erratic between 2004 and 2008, showing a slight annual average increase of 0.2%. The total consumption amounted to 130 thousand tonnes. Per capita consumption amounted

to 2.1 kg in 2008. Please note that only black conventional tea consumption is slowly decreasing in the UK, while green tea consumption shows large growth.

Consumption of premium tea has been performing well, as has consumption of fruit and green tea. Moreover, demand for decaffeinated or semi-decaffeinated tea is increasing. The variety of herbal, green and decaffeinated teas found in UK supermarkets has been strongly expanded. Many consumers are consuming herbal tea instead of black tea. Moreover, the UK is the principal EU market for ready-to-drink tea products. However, compared to conventional black tea, these products remain very limited, and only have a limited effect on the overall tea consumption. As in the case of coffee, ethical considerations are present in the tea market as well. By the end of 2010, Unilever's PG tips as well as Lipton Yellow Tea will be sourced in Rainforest Alliance farms (Euromonitor, 2009). Contrary to the increasing demand for premium tea, market sources indicate a strong demand for lower quality tea, at lower prices, because of the recession now hitting the UK. This strong demand even leads to scarcity in the market and therefore higher prices.

Between 2007 and 2008, consumption of sales of Fair Trade certified tea in the UK increased by 116%. This increase was amongst the highest in the EU. In 2008, consumption of Fairtrade certified tea amounted to € 82 million (FLO, 2009).

Cocoa

According to the International Cocoa Organization (ICCO), the United Kingdom is the 4th largest cocoa grinder in the EU, with a market share of 10% (ICCO, 2009). However, this is much less than in Germany and The Netherlands, the two principal grinding countries. The total cocoa beans grindings totalled 130 thousand tonnes in 2008/2009. Between 2004/2005 and 2008/2009, cocoa grindings in the UK showed an average annual increase of 1%.

No information on the domestic consumption of processed products is available for the UK. The apparent consumption of cocoa¹ amounted to 225 thousand tonnes in 2007/2008. This was an increase of 0.6% per year since 2003/2004. The per capita apparent cocoa consumption in the UK amounted to 3.7 kg, higher than the EU average of 2.8 kg (ICCO, 2009).

Per capita consumption of chocolate confectionery in the UK was 10 kg in 2007, above the European average of 5.4 kg. Considering its substantial chocolate, beverage and confectionery industry, also the large imports of these products, industrial demand for processed cocoa products should be considerably higher than this.

The UK is the largest market for Fairtrade cocoa, with the sales value of fair trade chocolate and other cocoa products worth € 34 million in 2008, an increase of 5% since 2007 (FLO, 2009). The UK accounts for around a third of Fair Trade cocoa beans sold worldwide (Agritrade 2008).

Market segmentation

Three market segments are important for coffee and tea. Especially for tea, at-home consumption is very important while coffee is more often consumed in coffee shops and as take-outs. This out-of-home consumption makes up an important part of coffee consumption, while at-home consumption mostly concerns instant coffee. Because of the current economic crisis this is, however, decreasing as out-of-home coffee is relatively expensive and people turn to tea or consumption at home. Consumption at work is important for both products but this again is a different market to the already-mentioned markets, with different companies being involved in the supply.

Trends

Coffee consumption, fresh, ground, soluble coffee will continue to show a small but steady increase. UK consumers drink more instant/soluble coffee compared to drip or espresso coffee,

¹ Grindings plus net imports (net imports are equal to imports minus exports) of cocoa products and of chocolate products recalculated into the amount of beans using conversion factors.

but this is gradually changing. The pod machine has proved to be a special product champion over the last couple of years; combining convenience (coffee pods) with quality (fresh roasted ground coffee). This has also boosted roasted coffee consumption.

In the UK, the presence of coffee chains such as Costa Coffee and Starbucks has influenced consumers' attitude towards coffee consumption. Drinking coffee became a reason for social gatherings and a new "coffee culture" was created, which is expanding throughout Europe (Euromonitor, 2009). However, according to industry sources this out-of-home segment is especially hit hard by the economic recession, with some smaller café chains and espresso bars closing their doors.

The demand for Fair-Trade certified products has been sharply increasing in the UK market. According to UK industry sources, the demand for ethically and sustainably sourced coffee and tea is increasing at a faster pace than ever in the UK. There are many different ways a company can source ethically, such as circumventing the conventional distribution channels and sourcing directly, a method which is being adopted by a number of players within the trade. This is occurring in addition to the increase of Fair-Trade, Rainforest Alliance and other certified coffees. Nevertheless, in the coming years the rapid growth seen in the past could be stunted, because of the economic crisis.

The expectations for the future development of black tea consumption are not favourable in the UK. However, even though consumption will probably decline, due to the increasing consumption of other tea varieties, total consumption will remain very large in the UK.

Private labels play a very dominant role for each of the product groups discussed and this is still increasing, with the major retailers, such as Tesco, Sainsbury's, Safeway and Morrison's holding a large market share and having tremendous influence on the coffee, tea and cocoa sectors. Regarding cocoa, Barry Callebaut, a leading European producer of cocoa products said in January 2009 that its customer label sales had seen an increase in business as "consumers become more price-sensitive" and switch products. Private labels are increasingly swift in copying product innovations of the big brands. Private label organic and Fair-Trade coffee, tea and cocoa sales also proliferated in the UK.

Production

Because of climatic conditions, no production of coffee, tea and cocoa beans takes place within the EU. The UK is fully dependent on imports of these products from other countries. The UK is, however, the 5th largest grinder of cocoa beans in the EU. As such, it competes with developing countries on the market for processed cocoa products.

Tea and coffee processing predominately takes place in the EU, and the UK has a large number of tea blenders. Coffee roasters are few in number, and often concern foreign companies. These companies are mentioned under section 2 of this survey.

Opportunities and threats

- + Consumption of coffee continues to increase relatively fast in the UK. Premium and instant coffee are important stimulants for the UK coffee market growth.
- + UK consumers increasingly want to learn more about the origins of the products they buy (traceability) as well about issues regarding labour conditions. This offers opportunities for developing country producers to focus on niche markets with organic and Fair-Trade specialty coffee and tea blends. Organic and Fair-Trade markets are expected to remain buoyant.
- + Consumption of fruit and green tea is increasing in the UK market. Suppliers in developing countries should seize this opportunity to enter the market with differentiated products.
- However, the increasing consumption of herbal tea could occur at the cost of black tea consumption (i.e. premium herbal tea).

- + Consumption of single-origin premium chocolate is increasing in the UK market, meaning that producers in developing countries who are able to supply this kind of cocoa to the UK market will have a competitive advantage over conventional suppliers.
- Consumption of conventional black tea is slowly decreasing in the UK. Producers in developing countries who want to sell black tea to the UK market will have to show some different alternatives in order to compete in the market, for example organic black tea. Next to this there is a strong demand for cheaper CTC teas.
- The UK is being hit hard by the economic crisis and the UK economy is in recession. Although this is not likely to impact on total sales of coffee, tea and cocoa, it can hit high-value varieties for some time and affect out-of-home sales. However, in the long term, opportunities will be best in these 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 the United Kingdom 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 British Coffee Association and the Tea Association offer interesting information on the UK market.

Euromonitor offers information on the UK 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 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.

For more information on trade structure, 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. Agents representing importing companies in

developing countries can play an important role. The UK has a considerable number of tea agents and brokers, eight of which are part of the UK Tea Council and can be found under 'Useful sources'.

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, all of which have a presence in the UK. Nevertheless, prospects remain for smaller, specialised traders.

Apart from traders, coffee roasters also play a considerable role in importing and exporting. Although the major trading centres are located outside the UK, the country does have a considerable number of traders and roasters. However, UK coffee traders and roasters are generally part of international companies, of which only Finlays is from the UK.

Vertical integration between tea blenders and traders is considerable; the UK has a very important role in the tea trade. Next to the leading multinational corporations (i.e. Unilever), which have a huge influence on the tea trade because of their role in production, trade and processing, country (-cluster) specific traders, are also of importance. For example, Twinings also imports considerable quantities, and another example is Taylors of Harrogate, trading in non-conventional coffee and tea (high quality, specific origin). These smaller companies, mostly also active in blending, might be interesting for DC producers.

Larger cocoa processors also have their own import departments, but trading companies play a very strong role in sourcing practices. Although the main cocaprocessing facilities are in The Netherlands and Germany, several traders are located in the UK, including Etco International, Finagra, Louis Dreyfus, the very large vertically integrated processor/trader ED&F Man, and Walter Matter.

Processing

The level of concentration among processors (roasting of coffee, blending of tea, and grinding of cocoa) industries is also very large.

Roasting of the original green coffee usually takes place in consumption countries. In the EU, this often concerns multinationals supplying several EU countries from their production facilities. The level of concentration in the roasting sector is very different per country, but, at 80% processed by the top five roasters, is rather average in the UK. Even though many of them disappeared, virtually every EU country has smaller roasters, producing under own brands or private labels.

Blending and packing of tea takes place in the EU. Although less concentrated than the coffee trade, national markets can be highly concentrated. 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.

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 concentrated, with a few multinationals dominating the market. The company Armajaro is an important player. The highly concentrated end-industries use processed cocoa products in chocolate, cocoa confectionery, beverages, and cosmetics (cocoa butter).

Retailing and consumption

The next step for the coffee and tea trade is retailers and caterers. In most countries, retail sales account for 70-80% of the market. In the UK, take-out plays an important role. 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.

Direct trade with these players will be difficult. 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. 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. Most traders of organic products are still located in The Netherlands and Germany, and form an 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, Fairtrade, Utz Certified, Rainforest Alliance, etc.), is sold primarily through traditional channels (either mainstream retailers or organic retailers, but not specialty coffee and tea stores). In the UK, supermarkets often offer organic and Fairtrade products in one, thereby reaching two consumer groups with the same product. They often have extensive assortments of coffee, tea and cocoa, in contrast to other EU countries, and play a principal role in organic and fairtrade sales. Sainsbury, the second largest UK retail chain according to organic market share in its assortment, re-launched their organic private label: SO Organic. Their new label and marketing strategy exemplify how organics should be positioned in the market nowadays: exclusiveness of products, stylish labels (black) containing product information. 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 for their organic private labels, which do not necessarily have to be in the UK. Cocoa processors will usually be involved on request of chocolate manufacturers working under private or Fairtrade 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.

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 increasing interest in premium products, there are also still, and perhaps even increasing, numbers of small processors on the EU market.
- 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. Regarding cocoa, a very large margin is made during the 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 the United Kingdom 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 the United Kingdom should not deviate from the general EU method. Due to its large size, and its role in the cocoa, but especially the tea, trade and processing, all relevant trade channels are present in the United Kingdom, including a wide array of traders, brokers, processing industries and a large manufacturing sector using cocoa. Moreover, direct imports play an important role. Although coffee imports are more limited and to a greater extent sourced in the EU, or constitute products where DC countries do not play a role, the UK has the full array of trade actors in this sector as well.

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

- Gala Coffee & Tea Ltd, the largest fresh coffee roaster in the UK, owned by De Drie Mollen from The Netherlands. Specialised in the manufacture of fresh coffee and speciality tea products for both the retail and foodservice markets - <http://www.gala-coffee-tea.co.uk>
- Douwe Egberts UK Ltd - <http://www.douwe-egberts.co.uk>
- Finlay Beverages Ltd., both trade and roasting, mainly active in tea - <http://www.finlay-beverages.co.uk>
- Kraft Foods UK Ltd, has a strong market position in the instant coffee market, offering various brands, often produced in the UK. Kenco is the best selling and fastest growing coffee brand in the UK - <http://www.kraftfoods.co.uk>
- Rombouts, marketed in the UK by RGB Coffee Ltd - <http://www.rombouts.co.uk>.
- Taylors of Harrogate, premium and Fair-Trade/organic coffee and tea, also imports - <http://www.taylorsofharrogate.co.uk>
- Generally interesting for organic producers are: Waitrose, the supermarket with the largest organic assortment - <http://www.waitrose.com/index.aspx> and Tesco, the country's largest supermarket - <http://www.tesco.com>

Tea

- James Finlay Ltd., one of the principal traders, also blender/packer/manufacturer of decaffeinated tea - <http://www.finlays.net>
- Ahmad Tea Ltd, blenders/packers - <http://www.ahmadtea.com>
- Britannia Tea Co. Ltd, blender/packer/merchant/trader - <http://www.britanniatea.co.uk>
- Camellia Plc, producers/agents - <http://www.camellia.plc.uk>
- Twinning and Company Ltd., blender/packer of premium tea - <http://www.twinings.com>
- Dragon Teas, premium teas - <http://www.dragonfly-teas.com>
- Clipper Teas, organic and Fair-Trade teas - <http://www.clipper-teas.com>
- Hampstead Tea, organic and Fair-Trade teas - <http://www.hampsteadtea.com>

- Qi Teas, organic and Fair Trade green and white teas - <http://www.qi-teas.com>

Cocoa

- Etco International commodities, trading company in, amongst others, Arabica coffee (conventional and organic) and cocoa beans and butter - <http://www.etco.co.uk>
- Bendicks, processor - <http://www.bendicks.co.uk>
- Louis Dreyfus, large trader of, amongst others cocoa and coffee - <http://www.louisdreyfus.com>
- Barry Callebaut, the world's leading manufacturer of high-quality cocoa and chocolate products - <http://www.barry-callebaut.com>
- ED&F Man, one of the largest cocoa beans and processed cocoa products traders - <http://www.edfman.com/Cocoa.php>
- Armajaro Trading Ltd, principal processor and trader of cocoa beans, processed cocoa products and coffee, most production outside of UK - <http://www.armajaro.com>
- Green & Black's, organic and Fair-Trade chocolate - <http://www.greenandblacks.com> - acquired by Cadbury's the UK's largest confectionery, beverages and chocolate manufacturer - <http://www.cadburyschweppes.com>

Retailers of organic coffee, tea and cocoa:

- Waitrose - <http://www.waitrose.com>
- The Tea and Coffee Plant - <http://www.coffee.uk.com>
- The Hampstead Tea Company - <http://www.hampsteadtea.com>
- Clipper Teas - <http://www.clipper-teas.com>
- Steenbergs - <http://www.steenbergs.co.uk>
- Dragonfly Teas - <http://www.dragonfly-teas.com>

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

Per capita consumption of coffee is below the EU average, therefore, despite the large population numbers, the UK accounts for only 4.0% of EU green coffee imports. Total coffee imports increased by 15% in value but slightly decrease by 0.3% in volume annually amounting to € 231 million / 117 thousand tonnes in 2008.

The green coffee imports are for 90% sourced in developing countries. The imports from developing countries increased by 14% in value between 2004 and 2008. The volume of imports from DCs, however, decreased by 1% in the review period. The leading developing country suppliers of coffee show a positive development. Imports from Colombia (+30% annually), Brazil (+9.2%) and Vietnam (+11%) increased rapidly. Imports from Brazil and Vietnam, however, show a decrease in the volume of imports. Germany and The Netherlands are the largest EU suppliers of green coffee with the latter showing a rapid increase of 46% annually.

Most EU countries import part of their coffee needs as roasted coffee, a market in which DCs play a negligible role. In the UK imports are dominated by green coffee amounting for 71% of the total volume of coffee imports. The UK imports of roasted coffee increased on average in value by 13% per year, but showed a decrease in volume by 9.4%. The relatively large volume of roasted coffee can be explained by the fact that the UK consumers mostly drink instant coffee, which falls under roasted coffee imports.

Organic coffee

According to ICO, in 2007/2008 the UK was the fourth largest importer of organic coffee, showing an average increase of 191% per year in the review period. In 2007/2008 the imports amounted to 1,710 tonnes. Therefore, the UK can be considered to be a medium-sized importer of organic coffee.

Table 3.1 Imports of coffee, tea and cocoa by the United Kingdom, 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	134	118	191	115	231	117	15%	-0.3%
Tea	235	157	264	162	250	158	1.5%	0.2%
Black tea	228	153	253	159	236	153	0.8%	-0.1%
Green tea	6.7	3.4	11	3.4	14	4.9	20%	9.1%
Cocoa beans	184	135	180	131	211	120	3.6%	-3.0%
Cocoa paste	36	18	12	6.5	30	30	-5.0%	14%
Cocoa butter	133	48	149	46	180	43	8.0%	-2.8%
Cocoa powder	17	7.1	31	18	29	16	13%	23%

Source: Eurostat (2009)

*Developing countries

Tea

The UK is by far the largest importer of tea in the EU, with a market share of 28% in total tea imports in value. Between 2004 and 2008, imports increased by 1.5% annually in value, while volumes remained stable, totalling € 250 million / 158 thousand tonnes. UK consumers are black tea drinkers, with 97% of the tea imported being black tea and only 3.1% green tea. Green tea imports, however, grew by 20% in value and 9.1% in volume between 2004 and 2008, showing its increasing consumption on the UK market. In contrast to black tea, the UK does not have a very important trading function in the green tea market. Black tea imports increased by 0.8 % in value, while the volume stayed the same in the review period.

Developing countries account for a very large market share of 91%, far outstripping the EU total. Because of very large domestic consumption, as well as an important role in re-exports of tea, imports from developing countries totalled € 227 million / 146 thousand tonnes in 2008. Nevertheless, imports from developing countries increased by 1.1% annually while imports from EU countries increased by 5.3% and from other developed countries by 9.8%. This is mainly due to strongly increasing imports from Poland (82% annually) and the UAE.

Among developed countries, Kenya, by far the most important supplier, performed well with an average annual increase in imports of 3.3%, while imports from India decreased by 2.3% annually and those from Indonesia by 5.5%. Imports decreased even stronger for two other main suppliers, Sri Lanka (12% annually) and Malawi (17%). In contrast, imports from China (12% increase, mainly due to green tea imports), Tanzania (44%) and South Africa (11%) are performing well.

Cocoa

Considering its population size, imports of cocoa products into the United Kingdom are relatively limited. The UK takes a 5th position among EU countries in imports of cocoa beans, the 8th for cocoa paste and the 5th for cocoa butter and 4th for powder. However, actual imports are much lower than the top three or four countries. Between 2004 and 2008, the cocoa products showed a different development.

Between 2004 and 2008, imports of cocoa beans increased by 3.6% annually in value and by 3.0% in volume, amounting to € 211 million / 120 thousand tonnes. A relatively large proportion of beans (91%) is sourced directly in developing countries, but their share is decreasing. Among the top suppliers, imports from Nigeria increased by 18%, while imports from Ivory Coast decreased significantly by 8.3%.

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

Product	Origin	Leading suppliers in 2008 (share in %)	Share ² (%)	Average annual % change
Green coffee	Intra-EU	Germany (5.9%), The Netherlands (1.8%), Ireland (0.3%), Belgium (0.2%), Lithuania (0.1%)	8.6%	16%
	Extra-EU, ex DC*	USA (1.0%), Singapore (0.1%)	1.1%	12%
	DC*	Colombia (24%), Brazil (16%), Vietnam (16%), Indonesia (10%), Peru (3.8%), Ethiopia (3.7%), Kenya (3.7%), Honduras (2.3%), Costa Rica (1.5%), Nicaragua (1.2%)	90%	14%
Tea	Intra-EU	Germany (2.2%), Poland (0.9%), Ireland (0.8%), Netherlands (0.6%), Belgium (0.3%)	5.4%	5.3%
	Extra-EU, ex DC*	U.A. Emirates (1.4%), USA (1.1%), Switzerland (0.7%), Japan (0.2%), Singapore (0.2%)	3.8%	9.8%
	DC*	Kenya (48%), India (15%), China (6.1%), Indonesia (4.9%), Tanzania (4.2%), South Africa (3.6%), Sri Lanka (2.6%), Malawi (2.6%), Argentina (1.6%), Rwanda (0.5%)	91%	1.1%
Black tea	Intra-EU	Germany (2.1%), Poland (1.0%), Ireland (0.7%), Belgium (0.3%), Netherlands (0.3%)	4.8%	5.5%
	Extra-EU, ex DC*	U.A. Emirates (1.5%), USA (0.8%), Switzerland (0.4%), Taiwan (0.1%), Singapore (0.1%)	3.1%	8.9%
	DC*	Kenya (51%), India (16%), Indonesia (5.1%), Tanzania (4.5%), South Africa (3.7%), China (3.0%), Sri Lanka (2.7%), Malawi (2.7%), Argentina (1.7%), Rwanda (0.6%)	92%	0.4%
Green tea	Intra-EU	Netherlands (5.2%), Germany (3.0%), Ireland (1.9%), Denmark (1.7%), Italy (0.7%)	14%	4.2%
	Extra-EU, ex DC*	USA (6.6%), Switzerland (5.4%), Japan (2.6%), Singapore (0.6%)	16%	13%
	DC*	China (58%), Kenya (4.4%), India (3.3%), South Africa (1.0%), Sri Lanka (0.8%), Indonesia (0.7%), Turkey (0.7%)	70%	25%
Cocoa beans	Intra-EU	The Netherlands (5.7%), France (3.0%), USA (0.4%), Singapore (0.2%)	8.7%	393%
	Extra-EU, ex DC*	Ghana (56%), Nigeria (15%), Ivory Coast (13%), Cameroon (5.4%), Brazil (1.3%) Papua N.G. (0.9%)	0.6%	146%
	DC*		91%	1.1%
Cocoa paste	Intra-EU	The Netherlands (68%), Spain (2.5%), Belgium (1.8%), Germany (1.4%), France (0.6%)	75%	-12%
	Extra-EU, ex DC*	-	0.0%	n.a.
	DC*	Ivory Coast (22%), Indonesia (3.3%)	25%	144%
Cocoa butter	Intra-EU	The Netherlands (52%), France (8.8%), Spain (1.1%), Denmark (0.6%), Belgium (0.2%)	63%	11%
	Extra-EU, ex DC*	-	0.0%	-48%
	DC*	Malaysia (16%), Nigeria (5.8%), Ghana (4.6%), Peru (2.5%), Algeria (2.3%), Ivory Coast (1.9%), China (1.5%), Cameroon (0.7%), Ecuador (0.6%), Colombia (0.5%)	37%	3.8%
Cocoa powder	Intra-EU	The Netherlands (77%), Germany (12%), Italy (3.2%), Belgium (2.3%), Spain (2.1%)	99%	15%
	Extra-EU, ex DC*	-	0.1%	-3.7%
	DC*	Malaysia (0.4%), Peru (0.1%), Turkey (0.1%)	0.7%	-32%

Source: Eurostat (2009)

*Developing countries

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

In 2008, imports of cocoa paste amounted to € 30 million / 30 thousand tonnes, signifying an annual decrease between 2004 and 2008 in import value (-5%), whereas the volume of imports showed a large annual increase (14%). The limited imports of cocoa paste came

almost exclusively from EU countries, especially The Netherlands. Ivory Coast, with a market share of 22%, was the largest developing country supplier.

Imports of cocoa butter showed a significant increase in value of 8.0% per year and a decrease in volume of 2.8% between 2004 and 2008. In 2008, imports of cocoa butter amounted to € 180 million / 43 thousand tonnes. The market share of the developing countries was just above the EU market share (34%). Malaysia, Nigeria and Ghana are the biggest developing country suppliers. Malaysia, showed a high growth rate of 35%.

UK imports of cocoa powder amounted to € 29 million / 16 thousand tonnes in 2008. This meant a large annual increase of 13% in value, and of 23% in volume. A small, decreasing, portion of cocoa powder was imported from developing countries.

Exports

Coffee

The UK has a small domestic coffee industry and does not play a role in re-exports of coffee throughout the EU; this is also reflected in the trade data. The UK accounts for 1.9% of EU green as well as roasted coffee exports. Exports of green coffee increased by 30% annually in value between 2003 and 2007, totalling € 17 million/ 3.2 thousand tonnes in the latter year. The main export destinations were Ireland, South Africa and Saudi Arabia. The exports of roasted coffee increased by 14% in value and 20% in volume, amounting to € 53 million/ 5.9 thousand tonnes in 2008. Roasted coffee was also mainly exported to Ireland

Tea

The UK is the largest EU exporter of tea, accounting for 37% of total EU tea exports. Export value increased by 1.5% in the period reviewed while the volume decreased by 0.8%, totalling € 221 million / 28 thousand tonnes in 2008. Interesting to note is that, while the UK and Germany had almost the same volume of exports, the value of the UK exports is almost double that of the German exports. One explanation is that the UK also exports much packed tea. For example, the UK supplies a substantial part of the Irish market with packed tea, as Lyans, Ireland's principal tea brand, is now packed in the UK. However, Germany is increasing in importance as a tea trading country and could eventually surpass the UK in volume terms.

The UK is, after Germany, the second largest re-exporter of green tea, although the amount is negligible compared to the overall exports. The UK takes a key position in the re-export of tea outside the EU. The main export destinations are Canada, Ireland, France, and the USA, to which more than half of UK tea exports is destined.

Cocoa

The UK hardly exports any cocoa beans, with exports amounting to € 9.1 million / 5.5 thousand tonnes. UK exports of cocoa paste are more significant at € 17 million / 12 thousand tonnes, accounting for 3.6% of total EU exports, the 4th among EU exporters. The UK is the 4th largest cocoa butter exporter in the EU but, compared to The Netherlands and France, very small. In the review period, the exports however decreased on average by 2.3% in value and 18% in volume per year, amounting to € 38 million / 8.4 thousand tonnes in 2008. Although the UK is the 5th exporter of cocoa powder, again compared to The Netherlands its exports are not significant, accounting for 2.6% of EU exports and decreasing. Exports amounted to € 14 million / 16 thousand tonnes. UK exports are mostly oriented towards North American markets, but also to other EU countries.

Opportunities and threats

- + The UK remains the focal point of the European tea trade and is therefore an interesting market for developing country tea producers. Huge amounts of imported volumes are needed to fulfil the high per capita tea consumption in the country. Besides, substantial re-exports take place, as the UK is the largest exporter of tea in the EU. Furthermore, developing countries hold a very large share in imports.

- + The UK coffee market is interesting for producers in developing countries, because of increasing imports and consumption. The developing countries' import market share is below the EU average and has been decreasing, though slightly. In regard to processed, value-added coffee, developing countries play a very limited role as the UK sources its roasted (often instant) coffee completely from within the EU. If developing countries are able to compete with EU coffee roasters and supply high-quality, low-priced roasted coffee, the UK instant coffee market could provide good opportunities.
- ± Imports of cocoa products into the United Kingdom are relatively limited, and the developing countries' share of imports is small and decreasing for cocoa beans and cocoa powder. The situation for cocoa butter looks more promising, because a relatively large and increasing proportion of these imports is sourced directly in developing countries, in accordance with the EU average.

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. Price developments

As prices for coffee, tea and cocoa are global market prices, prices in the UK should show limited deviation from those prices. The UK plays a principal role in the trade of tea. This is also reflected in import prices for tea in the UK, which are the lowest in Europe, as the country is the principal entry point. Tea retail prices in the UK are quite low, especially considering the higher qualities consumed in the country. Coffee imports are, to a large extent, supplied by other EU countries. As such, average import prices for coffee are high, due to the fact that a large proportion is imported in the form of more expensive processed (roasted/instant) coffee. UK retail prices for coffee are by far the highest in Europe, at € 24 per kilo in 2008, compared to € 12 in Italy, the second most expensive coffee county in the EU (ICO, 2009). This could be due to the high proportion of coffee consumed as instant coffees and in one person sachets/pads, which have a high price per kilo. Furthermore, competition is less fierce than in other EU countries and in Scandinavia. Moreover, the proportion of more expensive specialty and single-origin coffee is significant. Furthermore, the British Coffee Association stressed that coffee retail prices are high because of the high overheads and rents in many parts of the UK. The UK is an important entry point for cocoa beans, importing directly from developing countries - with low import prices as a result.

The British Pound decreased in value compared to the Euro. This results in more expensive imports for the UK. These higher costs for the UK market will raise consumer prices and therefore have a negative effect on consumption. In particular, premium products will face price increases and therefore less demand.

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 the United Kingdom. The websites of large retailers like Tesco (<http://www.tesco.com>) can, however, provide some information on retail prices. Another interesting website containing retail price information is <http://www.coffee.uk.com/coflist.html>. 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 the United Kingdom, you should be aware of the market access requirements of your trading partners and the UK 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 United Kingdom 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 the United Kingdom 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.

Assistance with market entry can 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 the United Kingdom are:

- FDF - Food and Drink Federation - <http://www.fdf.org.uk>
- British Coffee Association - <http://www.britishcoffeeassociation.org>
- The Coffee Trade Federation Ltd - www.coffeetradefederation.org.uk
- Tea Association - <http://www.tea.co.uk>
- Ethical Tea Partnership - <http://www.ethicalteapartnership.org>
- Federation of Cocoa Commerce (FCC) - <http://www.cocoafederation.com>

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 the United Kingdom is:

- Food Manufacture - <http://www.foodmanufacture.co.uk>
- Furthermore, many international magazines, such as Food and Beverage International - <http://www.fbworld.com> -, Food and Drink International - <http://www.fdimagazine.net> - and Food Magazine - <http://www.foodcomm.org.uk> - are published in the UK.
- Please also refer to the CBI document 'From survey to success: guidelines for exporting coffee, tea and cocoa to the EU'.

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 the United Kingdom are:

- IFE 2011 - International Food Exhibition, 13–16 March 2011- <http://www.ife.co.uk>
- Lunch! - The contemporary food-to-go show, dates to be announced - <http://www.lunchshow.co.uk>

Internet provides many source on business practices and culture, such as <http://www.communicaid.com/british-business-culture.asp>. 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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