

CBI MARKET SURVEY

THE COFFEE, TEA AND COCOA MARKET IN PORTUGAL

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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 Portugal. 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 these markets are still relatively small compared to the conventional market, having certification in place improves your market access in the EU. Portugal does not have a well developed organic market. In 2006 the Portuguese spent only € 7 per capita on organic food, amounting to € 70 million (FiBL, 2009). However, the Portuguese organic market is mostly constituted by imported products (Organic Europe, 2008).

Note that the consumption data of coffee and tea in this chapter concern the Portuguese 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 Portuguese 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

At 1.8% of total EU coffee consumption, Portugal is a medium-sized coffee consumer (International Coffee Organization (ICO), 2009). Total Portuguese coffee consumption showed a positive development between 2004 and 2008, increasing by 1.8% annually. In 2008, coffee consumption totalled 44 thousand tonnes. Per capita consumption stood at 3.9 kg in 2008, which was below the EU average of 5.0 kg.

Value sales increased much more, due to higher coffee prices and increasing sales of premium coffee products. Volume sales were propelled by more product introductions and the large variety of products now available on the market. However, some health-conscious consumers are shifting part of their coffee consumption to tea.

Traditionally, consumption in coffee shops has accounted for a considerable share of coffee consumption although consumption at home shows a slow but steady increase. Because of the opening of more modern coffee bars in big cities, the out-of-home coffee market was further

enhanced. Moreover, the qualities demanded at these outlets are higher, which has helped the sales of high-quality coffees in Portugal (Euromonitor, 2009).

Tea

Portugal is one of the smallest tea consumers in the EU, with a market share of 0.3% in 2008. However, Portugal is one of the fastest growing markets for tea in the EU. Between 2004 and 2008, Portugal showed an average annual growth in consumption of 8.3%, amounting to 821 tonnes in the latter year (International Tea Committee, 2009).

Like the rest of the EU, ice tea is an increasingly consumed product in Portugal. Lipton is the leader in this market segment and in tea in general. A shift within the tea market towards health products is visible, such as functional and herbal teas. The increasing number of coffee bars, which also serve tea, has contributed to the growth of tea culture in the country.

Cocoa

Portugal is a medium-sized consumer of cocoa, with a market share of 1.4% in 2007/2008, which makes it the EU's 14th largest market. The apparent consumption¹ of cocoa in Portugal increased by 5.7% annually between 2003/2004 and 2007/2008, amounting to 20 thousand tonnes. Apparent per capita cocoa consumption was 1.9 kg in 2007/2008, half of the respective European consumption of 2.8 kg.

Portuguese per capita consumption of chocolate was small at 1.3 kg per year in 2007, considerably lower than the European average of 5.4 kg. The best-known chocolate brands in the Portuguese market are Regina and Jubileu, both produced by chocolate manufacturer Imperial.

Trends in consumption

The shrinking Portuguese economy limits consumer expenditure. Nevertheless, the hot drinks sector is expected to show a moderate but steady growth. Coffee is expected to remain stable for the coming years, due to the dominant position it has in the Portuguese culture. Tea will continue to increase, due to new varieties and consumer demands. Also, the increase in sales could be related to health trends, as well as a turn towards home consumption (Euromonitor, 2009). However, the sales of premium products could be affected, due to rising unemployment and economic uncertainty.

Portuguese cocoa consumption is expected to continue to increase, as chocolate consumption is still increasing in the country. However, it can be expected that cheaper varieties will be the main market drivers, as Portuguese consumers will cut back their spending on premium products.

Production

Because of climatic conditions, no production of coffee and cocoa beans takes place within the EU. Portugal is fully dependent on imports of both products.

As for tea, Portugal is the only country in Europe which grows tea, as it produces small amounts of black and green tea. Tea growing in Portugal takes place on a small scale in the Azores, a group of islands located west of the mainland. This tea is currently traded under the name of the area, Gorreana. For more information, please refer to - <http://www.gorreana.com>

Portugal has a number of grinders processing cocoa beans from developing countries. Tea and coffee processing predominately takes place in the EU, and Portugal has several players. For more information on these companies, 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

- ± Portugal's tea market is among the fastest growing in the EU, which could offer opportunities for developing country tea producers. However, it remains very small, and is mostly supplied by other EU countries.
- ± The Portuguese coffee market is showing a small increase in consumption, approaching the EU average. However, per capita consumption has been stable since 2004.
- + The industrial demand for cocoa is increasing in Portugal and is largely import-based, as the country does not have significant grinding activities. This is leading to increased demand for processed cocoa products.
- The adverse economic situation in Portugal is expected to have a negative influence on the sales of premium coffee, tea and cocoa.
- The organic market share in Portugal is among the lowest in the EU, representing about 0.1% (Biofach, 2007). Furthermore, organic coffee, tea and cocoa are hardly sold in supermarkets. The products may be found in specialty stores, mainly in the trend-setting urban regions of Lisbon and Porto. Coop is the supermarket chain which has a corner for organics.

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 Portugal 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 Portuguese market for Hot Drinks, including coffee, tea and cocoa drinks - <http://www.euromonitor.com>

2. Trade channels for market entry

The three product groups discussed are each distributed in a different manner. The trade structures for coffee and tea share important characteristics, but also differ in, for example, the role of warehouses and auctions. Particularly, the cocoa trade, with its four main products of cocoa beans, paste, butter and powder and its industrial focus, has an entirely different trade structure. However, they have several things in common;

- Processing takes place in a limited number of EU countries, although the extent of concentration varies.
- Developing countries play a limited role in processed products except for processed cocoa products. However, these are also mostly sourced from EU processors.
- As such imports into the EU take place mostly through 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 coffee roasting industry in Portugal is, to a large extent, in the hands of local companies, most importantly Delta Cafés. The Portuguese brands have been in existence for a very long time, and are associated with a tradition of quality. Still, 33% of the market is in the hands of

Nestlé, which also controls the instant coffee market, although it is relatively small. 70 other roasters account for the remaining market, many operating in small, local niche markets and with loyal clientele.

However, the very small tea market is much younger, does not have major players and is in the hands of foreign multinationals, such as Unilever, with its Lipton brand. The country also has some chocolate and chocolate confectionery producers, of which Imperial is the main one.

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 Portugal.

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

- Nandi Cafés, roaster, distributor - <http://www.nandi.pt>
- Beira Douro Cafés <http://www.beiradouro-cafes.com>
- Bricelta, a Portuguese coffee roaster - <http://www.bricelta.com>
- Delta Cafés, importer, roaster, distributor, also with a position on the vending machine market and also owning a chain of coffee bars - <http://www.delta-cafes.pt>. This is the main coffee roaster in Portugal.
- Another roaster with a chain of coffee bars is Nicola <http://www.nicola.pt/>
- Novo Dia Cafés, roaster, distributor - <http://www.novodiacaferes.pt>
- Imperial, leading Portuguese chocolate manufacturer and distributor, exporting about 25% of its products - <http://imperial.rar.net.novis.pt>
- Lipton is a leader in the Portuguese (ice) tea segment - <http://www.lipton.pt>
- Unicer (Bogani coffee) - <http://www.unicer.pt>

On-line company databases for finding companies working in the coffee, tea and cocoa markets can be 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

Portugal is a medium-to-small importer of coffee, taking the 12th place in the EU and accounting for 1.3% of total EU imports. Imports of green coffee amounted to € 75 million / 42 thousand tonnes in 2008, signifying an annual increase of 15% in value and no significant change in volume between 2004 and 2008.

In 2008, 92% of Portugal's green coffee imports was sourced in developing countries, signifying an annual increase of 15% since 2004. Brazil was the most important developing country supplier accounting for 15% of green coffee imports, followed by Vietnam (12%), Uganda (10%), Honduras (7.8%), Cameroon (7.4%), India (6.8%) and Colombia (6%). Of the countries mentioned, the most significant increasing rates were those of Vietnam with 30%, Uganda with 25%, Colombia with 31% and Costa Rica with 25%.

Most EU countries import part of their coffee needs as roasted coffee, a market in which developing countries play a negligible role. Portugal imports 14% of its coffee as roasted which is very close to the EU average (15%). Imports of green coffee are growing at a lower rate (15% annually) compared to roasted coffee (28%).

Tea

Portugal, being traditionally a coffee-drinking country, is a small importer of tea, accounting for only 0.5% of total EU tea imports and ranking 20th. However, Portuguese tea imports are

increasing relatively fast compared to the other EU countries. Imports increased annually by 11% in value and 15% in volume between 2004 and 2008, totalling € 4.7 million / 1.0 thousand tonnes.

Although developing countries account for a market share of only 4.2%, their supplies of tea increased by 36% per year since 2004. This was partly due to the large increase in Sri Lanka's supplies which grew at a rate of 40%. Nevertheless, its contribution to the total Portuguese tea imports accounts for only 2.3%. Spain, Germany, Poland and the UK are the largest tea suppliers to Portugal. Poland is quickly increasing in importance.

Portugal is a relatively large importer of green tea (47% of its tea imports compared to 28% EU average), accounting for 1.5% of total EU green tea imports. Green tea imports increased by 15% annually in value and by 24% in volume between 2004 and 2008, totalling € 2.6 million / 853 thousand tonnes in the latter year. Regarding black tea, Portugal accounts for only 0.3% of total imports, amounting to € 2.2 million / 213 tonnes. Moreover, black tea imports are only lightly increasing in value (7.6%) while they are decreasing in volume (3.7%). Only in a few EU countries is the share of green tea in total imports so high.

Cocoa

Portugal is among the smallest importers of cocoa products in the EU. Particularly its imports of cocoa beans are negligible. In 2008, imports of cocoa paste amounted to € 1.4 million / 681 tonnes; imports of cocoa butter totalled € 1.0 million / 256 tonnes; and imports of cocoa powder amounted to € 3.3 million / 2.3 thousand tonnes.

Imports of cocoa paste (+ 2.2% annually between 2004 and 2008) and cocoa butter (+9.3%) increased in value while cocoa powder slightly decreased. However, each of these products did show a small increase in volumes imported.

Portuguese cocoa paste imports are for 66% supplied by Ivory Coast, with its contribution increasing annually by 13% since 2004. The rest of the cocoa paste is supplied by EU countries. The only developing country which supplies Portugal with cocoa butter is Ivory Coast which accounts for a 23% market share, but showing an annual decrease of 18% in its share since 2004. Imports of cocoa powder are entirely sourced in EU countries, with only Malaysia's supplies accounting for only 1.3%.

Exports

Portugal is a small exporter of coffee. The exports of green coffee are negligible but the exports of roasted coffee are more sizable. In 2008, exports of coffee concerned roasted coffee which amounted to € 28 million / 7 thousand tonnes. Exports increased by 13% in value and 15% in volume annually between 2004 and 2008. The main export market was Spain.

Portugal's tea exports are very small, but increasing. Between 2004 and 2008, exports increased by 16% in value and 13% in volume annually, totalling € 1.0 million / 72 tonnes in 2008.

Portugal does not export cocoa beans or cocoa paste. Exports of cocoa butter and cocoa powder are negligible.

Opportunities and threats

- ± Based on the trade data, limited opportunities exist for developing country producers of tea and cocoa. However, the imports of tea are increasing fast and might show increasing potential in future years.
- + Portuguese imports of coffee are quite substantial and are increasing in value as well as volume. Moreover, a large share is imported directly from developing countries.

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, Portuguese 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.

Portuguese coffee retail prices are somewhat low compared to most other EU countries, at € 6.95 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 Portugal, you should be aware of the market access requirements of your trading partners and the Portuguese 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 'Portugal' 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 Portugal, visit the following websites:

Trade associations

- Federation of Portuguese Agro-Industries (FIPA) - <http://www.fipa.pt>
- Portuguese Coffee Roasters Association (AICC) - <http://www.aicc.pt> (website in Portuguese only)
- Agrobio - the first organic farming association in Portugal - <http://www.agrobio.pt>
- Portuguese Industry Confederation (CIP) - <http://www.cip.org.pt>

Trade fairs

- Alimentaria Lisboa is an international food fair which takes place in Lisbon. The next event will be held in April 2011 - <http://www.alimentaria-lisboa.com>
- Alimentação - the last event took place in May, 2008 - <http://www.alimentacao.exponor.pt>

Trade press

- Newspaper on business in Portugal which includes commodity trade - <http://www.jornaldenegocios.pt>
- Agribusiness portal - <http://www.agroportal.pt>

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