CBI MARKET SURVEY

THE COFFEE, TEA AND COCOA MARKET IN SLOVENIA

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 Slovenia. 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 increasing rapidly (Organic Europe, 2008), it is still hardly developed in Slovenia. However, having certification in place improves your market access in the EU. In 2006, Slovenians spent € 4.0 million on organic food, which is low compared to other EU countries (FiBL, 2009).

Note that the consumption data for coffee and tea in this chapter concern the Slovenian 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 Slovenian 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 it is predominantly sourced in other EU countries.

Coffee
Slovenia is a rather small consumer of coffee in the EU. Between 2004 and 2008, coffee consumption increased by 1.2% annually, amounting to 12 thousand tonnes in 2008 (International Coffee Organization (ICO), 2009). In that year, per capita consumption stood at 5.5 kg, slightly higher than the EU average consumption of 5.0 kg.

Slovenians are increasing their consumption of instant coffee and its varieties, as well as their at-home consumption. Instant coffee is heavily promoted, while the decaffeinated coffee market is supported by the health trend. Specialty coffee shops, which focus on high-quality products, are still a rarity in Slovenia (Euromonitor, 2009).

Tea
According to FAO data, Slovenian tea consumption decreased from 0.2 thousand tonnes in 2001 down to 0.15 thousand tonnes in 2005. This would amount to around 70 grams of tea per capita, which is much lower than the EU average.

Tea is a seasonal drink in Slovenia, consumed especially during winter time. Therefore, demand peaks in this period. To increase sales volumes, tea producers are focusing on the wellness trend, by introducing tea mixtures in green and herbal tea.

Cocoa

Slovenia has the 6th lowest cocoa consumption among EU countries with a market share of 0.4% (International Cocoa Organization (ICCO), 2009). The apparent consumption[1] of cocoa, in Slovenia was 5.9 thousand tonnes in 2007/2008. This constituted an annual increase of 6.4% since 2003/2004. Apparent per capita consumption in Slovenia was 2.9 kg in 2007/2008. Per capita consumption of confectionary cocoa products, though, was 1.1 kg in 2007, one of the lowest, compared to the European average of 5.4 kg.

There were no statistical data available on cocoa grindings in Slovenia.

Trends in consumption

For the coming period, consumption of coffee, tea and cocoa is expected to continue to increase. Value increase is expected to be higher than volume increase, due to higher prices for raw materials. Instant coffee sales will continue to increase, partly due to the strong marketing support behind it. Tea is the product with the highest growth within the hot drinks sector. More specifically, green and herbal teas' growth is reflecting consumer awareness of its health benefits (Euromontor, 2009).

Production

Because of climatic conditions, no production of coffee, tea and cocoa takes place within the EU. Slovenia is fully dependent on imports of these three products.

Slovenia does not have any cocoa grinders. Tea and coffee processing predominately takes place in the EU, and Slovenia has several players. For some information on these companies, refer to section 2 of this market survey.

Opportunities and threats

\+ As of January 2007, Slovenia adopted the Euro, making it the first country of the 2004 enlargement to adopt the Euro. Having the same currency may accelerate economic growth and narrow the gap in purchasing power between Slovenians and West-Europeans in the long run. It could also offer opportunities for developing country suppliers to enter the Slovenian market as it expands.

\- The Slovenian market for coffee, tea and cocoa is limited in size. However, it is in general showing a favourable development. Moreover, with domestic players accounting for most of the Slovenian market, the industrial demand for coffee, tea and cocoa should still be quite considerable, and should increase parallel to consumption.

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 Slovenia 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 Slovenian market for Hot Drinks, including coffee, tea and cocoa drinks - http://www.euromonitor.com

[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.

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. Please note that the Slovenian organic market is still small.

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 Slovenia.

Domestic players lead the Slovenian market for coffee, tea and cocoa, which is surprising for such a small country. Moreover, domestic companies are exporting processed coffee and tea to other neighbouring counties, which would make industrial demand somewhat higher than merited by the small local market. The most import companies are Droga Kolinska and Mercator-Emba.

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

- Droga Kolinska dominates the Slovenian coffee and tea market with its brands Barcaffe and 1001 Cvet. It accounts for around half of the Slovanian coffee and tea markets. Moreover, it has an important position on the chocolate and chocolate confectionery market - http://www.drogakolinska.si
- The Mercator Group, the leading retailing chain in Slovenia and also a very strong group in South Eastern Europe - http://www.mercator.si – private label brands are second in market share only to Droga Kolinska. Amongst others, they are the manufactures of Ben Quick, formerly known as Benko, the leading brand for cocoa drinks in Slovenia. The cocoa drink Benko has a strong position in the Balkans.
- Pivovarna Union is a large brewery and ice-tea producer in Slovenia. The brand of its ice-tea is Sola - http://www.pivo-union.si

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
Slovenia is a small importer of green coffee in the EU. Imports amounted to € 18 million / 9.3 thousand tonnes in 2008, signifying an annual increase of 14% in value and a decrease of 0.4% in volume since 2004.

The Slovenian imports of green coffee are for 85% sourced in developing countries. This share has shown an increase in value and volume of 18% and 4% respectively. Brazil (47% market share), Vietnam (16%) and Colombia (10%) are the largest developing country suppliers of green coffee to Slovenia.

Most EU countries import part of their coffee needs as roasted coffee, a market in which developing countries play a negligible role. Slovenia mainly imports green coffee, as the total volume of coffee imports amounts for 79% of green coffee and for 21% of roasted coffee. The share in imports of roasted coffee is higher than the EU average (15%). Imports of roasted coffee are replacing those of green coffee, with roasted coffee imports increasing faster (+26%) than the imports of green coffee (14%).

Tea
Slovenia is the smallest importer of tea in the EU, accounting for 0.1% of total EU imports. Nevertheless, tea imports are increasing at a relatively fast rate, by 17% in value and 22% in volume annually, between 2004 and 2008, totalling € 1.2 million / 167 tonnes in 2008.

EU countries, such as Germany and the UK, are the largest suppliers of tea to Slovenia, accounting for 55% of total supplies. Developing countries account for a market share of only 5.4%, signifying an annual decrease in value of 9.0% since 2004. South Africa is the biggest DC supplier of Slovenian tea covering a share of 3.8%, while Sri Lanka follows with 1.2%.

Green tea imports cover 56% of the total tea imports in Slovenia, which is a higher percentage than any other EU country. Imports of green tea increased by 14% in value and 15% in volume to € 0.6 million / 78 tonnes.

Cocoa
Slovenia is among the smallest importers of cocoa products in the EU. Imports of cocoa beans are negligible. In 2008, imports of cocoa paste amounted to € 634 thousand / 272 tonnes; imports of cocoa butter totalled € 0.9 million / 211 tonnes; and imports of cocoa powder were worth € 1.4 million / 1.0 thousand tonnes.

Imports of both cocoa paste (-0.4%) and cocoa powder (-3.8%) decreased annually in value between 2004 and 2008, whereas imports of cocoa butter (+4.4%) increased.

Imports of cocoa paste and cocoa butter are sourced in EU countries. However, developing countries play an important role as a source for cocoa powder, covering a share of 29%. Malaysia is the biggest developing country supplier, with a share of 25% of the Slovenian cocoa powder imports. This share shows a slight annual increase in value, but a higher increase in volume of 22% since 2004. Croatia follows at great distance from Malaysia with 3.5%.

Exports
Slovenian exports of coffee are small, amounting to € 2.4 million / 1.3 thousand tonne in 2008. However, imports on average increased threefold per year since 2004. Slovenia exports mainly to East European countries.

Slovenia's tea exports are very small, but increasing at a relatively fast rate (63% annually between 2004 and 2008), totalling € 850 thousand / 91 tonnes in 2008.

Slovenia does not export cocoa beans and its exports of cocoa paste, butter and powder are negligible.

Opportunities and threats

- Slovenia is not a particularly interesting country for developing country producers of coffee, tea and cocoa, as import values and volumes are small in an EU perspective; furthermore developing countries account for a small and decreasing import market share. However, imports of coffee are becoming more substantial.

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, Slovenian 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.

Slovenian coffee retail prices in 2008 were average as compared to other EU countries, at € 7.77.

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

Trade associations

During this research, no trade associations related to coffee, tea and cocoa were found in Slovenia. Hence, here we present some other related organizations:

- Ministry of Agriculture, Forestry and Food - http://www.mkgp.gov.si
- Slovenian Chamber of Commerce and Industry - http://www.gzs.si
- Affiliate Food Industries Association of Slovenia (part of the Chamber of Commerce and Industry) – mailto:zivilska.ind@gzs.si

Trade fairs

- Gast Expo and Ice-Cream, International Fair of Gastronomy and Catering-Hoel Equipment as well as the International Ice-Cream Fair. The latest event took place in February 2010 - http://www.gast.si

Trade press

- No relevant trade press was found for Slovenia.

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