

CBI MARKET SURVEY

THE COFFEE, TEA AND COCOA MARKET IN LITHUANIA

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 Lithuania. 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 Lithuania, having certification in place improves your market access in the country as well as the rest of the EU. In contrast to the limited consumption the penetration rate of organic farming in the agricultural sector is quite high, but the sector is export-oriented. Lithuania is seen as one of most dynamic food, beverage and retail markets in the EU.

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

Lithuanian consumers are traditionally coffee drinkers, and the coffee is normally roasted and ground and/or instant. Colombian coffee is particularly popular in this country. According to industrial sources, consumption of premium coffee is slowly increasing. Lithuanians prefer Arabica coffee which has low acidity levels. Still, Lithuania is a rather small consumer of coffee, accounting for 0.5% of total EU consumption in 2008 (International Coffee Organization (ICO), 2009). Between 2004 and 2008, total coffee consumption showed a small annual average increase of 0.9%, totalling 12 thousand tonnes. Per capita consumption stood at 3.5 kg in 2008, which was below the EU average of 5.0.

According to industry sources, coffee is the most important segment in the hot drinks (coffee, tea and cocoa drinks) market, responsible for almost 80% of the total market.

Tea

Tea consumption in the Baltic States (Estonia, Latvia and Lithuania) is medium-sized, with a total EU market share of 1.5% in 2008 (International Tea Committee, 2009). The joint tea consumption in the Baltic States shows a rather stable increase, with an annual average

increase of 2.9% between 2004 and 2008, amounting to 3.7 thousand tonnes in the latter year. Per capita consumption in the Baltic States stands at around 500 grams, with Lithuania somewhat lower (International Tea Committee, 2009). The Lithuanian population accounts for almost 50% of the Baltic population. As such, it should also account for a large share of the amount mentioned above.

According to industrial sources, black tea is the most popular tea variety in Lithuania. Next to this herbal teas like Camomile, rosehip are very popular. Green tea is also increasing in popularity in Lithuania, a development which was already well underway in other countries. According to Euromonitor, convenience and time-saving demands have made small tea bags more and more popular as opposed to loose tea. Due to Lithuanian brand loyalty, developments in the Lithuanian market can be quite slow. Still, more exotic tea products are being introduced to the market (Euromonitor, 2009).

Cocoa

As indicated by the apparent consumption¹ Lithuania is a very small consumer of cocoa, accounting for only 0.2% of EU consumption (International Cocoa Organization (ICCO), 2009). The apparent consumption of cocoa in Lithuania increased between 2003/2004 and 2007/2008 by 5.7% annually, totalling 3.0 thousand tonnes in 2007/2008. Per capita consumption stood at 0.9 kilograms which is very low compared to the EU average.

There is still some grinding done in the country, but this has decreased sharply during the last decade. In 2008/2009, grindings amounted to 1.0 thousand tonnes.

According to industrial sources, cocoa drinks are not particularly popular in the country, as it is not part of their tradition to drink hot cocoa. In addition, the quality of cocoa products which arrive in Lithuania is rather low, making cocoa drinks a cheap product. Chocolate sold in the domestic market is also predominately of medium-to-low quality.

Trends in consumption

Future growth in consumption of coffee will be limited due to saturation of the market (in volume), as well as due to the severe economic situation currently affecting the Lithuanian economy. Both for 2009 and 2010, the European Commission is expecting a substantial decrease in economic activity, leading to higher unemployment, a strain on personal incomes and more uncertainty, resulting in lower spending by seeking for low-cost products.

Retail channel is expected to continue having the lion's share as they provide a wide variety of products at reasonable prices and Lithuanian consumers show a clear preference towards them. Basic trends in the sector of hot drinks are sourced by the preference for more convenient and time-saving products such as instant coffee and tea bags (instead of loose tea) (Euromonitor, 2009).

Production

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

Very limited cocoa grinding takes place in Lithuania. Tea and coffee processing predominately takes place in the EU, although Lithuania has several small players. For some information on these companies, refer to the section 2 of this 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

- Coffee consumption in Lithuania has increased very fast and is now approaching European levels. However, as most coffee in Lithuania is imported as roasted coffee, from other EU countries, the opportunities for developing countries will be limited.
- + Tea consumption is increasing in Lithuania
- The economic crisis will affect the sales of premium coffee and tea. This could lead to a lower demand for high quality coffee and tea, as consumers buy cheaper varieties and brands. Moreover, chocolate sales, not yet well established in Lithuania, could be hit.
- Lithuania remains a small market for coffee, tea and cocoa.

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 Lithuania 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 Lithuanian 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.

The coffee, tea and cocoa markets are highly concentrated in Lithuania. The tea market is led by international companies, like the Baltic subsidiary of Unilever, and the coffee market is led by the companies Krüger GmbH & Co, Kraft and Tchibo. Local roasters play a very limited role.

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 Lithuania.

Local players in the coffee, tea and cocoa market in Lithuania are:

- Vilniaus Pergale, a leading cocoa manufacturer - <http://www.pergale.lt>
- Presto Prekyba, a coffee roaster- <http://www.presto.lt>

- Saldva, tea and instant coffee and tea - <http://www.prieskoniai.lt>

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

Lithuania is a very small importer of green coffee in the EU, ranking 25th among EU countries. Imports amounted to € 912 thousand / 314 tonnes in 2008, signifying an annual increase of 21% in value and of 11% in volume since 2004.

Developing countries account for 1.3% of the already very limited green coffee imports. Colombia covers 0.6%, followed by Nicaragua and Costa Rica each with 0.2%. Moreover, the developing countries' relative share annually decreased by 38%. As Lithuania imports hardly any green coffee, it is almost exclusively supplied by EU countries.

Most EU countries import part of their coffee needs as roasted coffee, a market in which developing countries play a negligible role. Lithuania imports 97% of its coffee as roasted which is the largest share in the EU (EU average of 15%). There is relatively limited importance of local roasters in the Lithuanian market.

Tea

Lithuania accounts for 0.9% of total EU tea imports, and ranks 16th among EU importers. Between 2004 and 2008, imports increased by 11% annually in value and by 0.6% in volume, totalling € 8.2 million / 1.2 thousand tonnes. Considering the size of the country, these imports are relatively high.

Developing countries supply Lithuania with 36% of its tea imports, which is lower than the EU average. Sri Lanka is the main tea supplier, with a market share of 32%. China and India follow with 2.3% and 0.9% respectively. Between 2004 and 2008, Sri Lanka's share showed a small annual increase of 3.6% in value, while it decreased in volume by 4.2%. China's and India's shares increased by 23% and 53% respectively.

Green tea imports increased in value by 19% annually, amounting to € 2.0 million / 314 tonnes in 2008. Imports of black tea decreased in volume, by 1.9%, while they increased in value by 8.8%. Imports amounted to € 6.1 million / 897 tonnes in 2008.

Cocoa

Lithuania is among the smallest importers of cocoa products in the EU. In 2008, imports of cocoa beans amounted to € 327 thousand / 136 tonnes, showing a sharp decrease in both value and volume by 50% and 55% respectively. Imports of cocoa paste were more substantial and amounted to € 2.9 million / 1.2 thousand tonnes, increasing significantly by 139% and 140% in value and volume respectively. Imports of cocoa butter amounted to € 769 thousand / 169 tonnes, also showing respective increases by 23% in value and 7.1% in volume. Imports of cocoa powder totalled € 1.6 million / 1.8 thousand tonnes decreasing slightly in value by 5.2%, while volume increased by 8% in the review period.

48% of the imports of cocoa beans is sourced in the Ivory Coast which is the only developing country supplying Lithuania. Nevertheless, there was a decrease of 52% in its importance. Malaysia and Indonesia are the biggest developing suppliers of cocoa powder, providing Lithuania with 15% and 14% respectively, with the latter's contribution relatively increasing.

Imports of cocoa paste and butter are sourced from EU countries, most notably The Netherlands and Germany. Due to unpredictable and small imports, it is difficult to determine trends in supplying countries.

Exports

Lithuanian exports of coffee are limited. Green coffee exports are negligible, although they increased significantly by 52% since 2004. Roasted coffee exports totalled € 13 million / 2.5 thousand tonnes increasing by 32%. Exports are mainly directed towards Latvia, Estonia and Russia.

Lithuania is a small exporter of tea in the EU. Export value increased by 23% annually between 2004 and 2008, while volumes increased by 15%. Exports totalled € 2.7 million / 251 tonnes.

Lithuania does not export cocoa beans, cocoa paste and cocoa butter. Exports of cocoa powder are limited, though increasing, amounting to € 610 thousand in 2008.

Opportunities and threats

- ± Of the three commodities dealt with in this report, tea offers the best prospects for developing country producers. However, imports from developing countries increased less than overall imports.
- ± Imports of coffee are on the rise; however, developing countries still play a very small role in supplying (roasted) coffee to Lithuania.

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, Lithuanian prices should show limited deviation from those. The survey covering the EU provides more information on price developments. However, prices of coffee, tea and cocoa (products) provided should be used only as a reference point, as they depend on origin and buyer preferences.

For information on on-line useful sources on price developments, please refer to chapter 5 of the CBI market survey covering the EU market.

5 Market access requirements

As a manufacturer in a developing country preparing to access Lithuania, you should be aware of the market access requirements of your trading partners and the Lithuanian 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 'Lithuania' 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 however. 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 Lithuania, visit the following websites:

Trade associations

- Lithuanian Agricultural and Food Market Regulation Agency - <http://www.litfood-fair.com>
- Association of Lithuanian Chambers of Commerce, Industry and Crafts - <http://www.chambers.lt/en/rumai/istorija.htm>
- Organic agriculture Lithuania - <http://www.organic.lt>

Trade fairs

- BALTSHP. BALTHOTEL BALTGASTRO, International Fair of Shop, Hotel & Restaurant Requisites, Groceries and Provisions. The event takes place every two years and the next one will be in November 2010 - <http://www.litexpo.lt>

Trade press

- No trade press of interest for Lithuania was encountered

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>