

CBI MARKET SURVEY

THE COFFEE, TEA AND COCOA MARKET IN ROMANIA

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 Romania. 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 Romania, having certification in place improves your market access in the EU. In 2006, Romanians spent only € 2.5 million on organic food (FiBL 2009). Local consumption is increasing fast and organic retail products are becoming more widely available, also in Romania's main grocery outlets (Organic Europe, 2008).

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

Romania is a medium-sized consumer of coffee, taking the 12th place in the EU, with a market share of 2.0% in 2008 (International Coffee Organization (ICO), 2009). In 2008, total consumption of coffee was 48 thousand tonnes, an annual decrease of 0.3% since 2004.

Romanian per capita consumption of coffee increased by 0.2% annually between 2004 and 2008, amounting to 2.3 kg (ICO, 2009). This was less than half of the EU average of 5.0 kg.

The Romania coffee market is experiencing a good growth, which is mostly due to the gradually increasing disposable incomes of Romanians. Moreover, coffee has become available in more varieties in Romanian shops, while advertising campaigns and sales have introduced a wider proportion of the population to coffee drinking. A lifestyle towards a healthier way of living has also contributed to the growth of coffee consumption. In 2010, total elimination of coffee excise tax will take place and thus make coffee affordable to lower-income households (Euromonitor, 2009).

Tea

Between 2004 and 2008, Romanian tea consumption showed one of the highest annual increases in the review period. The consumption increased by 6.7%, amounting to 220 tonnes in the latter year. However, this represents only 0.1% of the total tea consumption in the EU. Per capita consumption is the lowest of all EU countries, at only 10 grams per capita (International Tea Committee, 2009).

Although the consumption of tea is increasing, herbal tea is more important than black or green tea. The main characteristics in the Romanian tea market were boosted by the increased health concerns which promote green tea as well as natural products (Euromonitor, 2009). However, herbal infusions offer few opportunities to developing country tea producers, as they usually do not contain tea.

Cocoa

As indicated by the apparent consumption¹ of cocoa, Romania is a medium-sized consumer of cocoa, with a market share of 1.6%, making it the 12th largest consumer among EU countries (ICCO, 2009). Apparent consumption of cocoa in Romania is 23 thousand tonnes, and increased by 13% between 2003/2004 and 2007/2008. Romanian per capita apparent cocoa consumption was, at 1.0 kg, lower than the European average of 2.8 kg.

Romanian grindings are negligible. There were no data available on the consumption of chocolate.

Trends in consumption

Due to increasing incomes, it is expected that the Romanian market for coffee, tea and cocoa will continue to increase. The elimination of the excise duty in 2010 will boost the increase further, this being especially the case in large cities. Although a slowdown in economic growth is expected, the impact on consumption of coffee, tea and cocoa is expected to remain limited.

Tea will continue to develop its perception amongst the public as a healthy product and a sophisticated alternative to coffee, with herbal and green teas becoming more and more popular.

Production

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

Romania has some small though decreasing grinding activities, processing cocoa beans imported from developing countries. Tea and coffee processing predominately takes place in the EU, and Romania has some players. For information on these companies, please refer to Section 2 of this market survey.

Opportunities and threats

- + As from January 2007, Romania joined the European Union. It is expected that the socio-economic situation of the country will continue to improve, even though the economic crisis will also negatively affect the Romanian economy in the coming year. Therefore, the country should offer increasing opportunities for developing country suppliers to enter the Romanian market. Most interesting are coffee and cocoa products, while tea consumption remains very small.

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

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.

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 Romania 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 Romanian 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 Romanian market is quite concentrated, with one company, Strauss, accounting for 42% of total coffee consumption in Romania. It is now in the hands of a Brazilian coffee company, which means that a large amount of the coffee imported now comes from that country. The tea trade is hardly developed, which is logical considering the very small consumption of tea in the country.

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 Romania.

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

- Strauss Romania, a subsidiary of the Brazilian Strauss group, controlling more than 40% of the coffee market with its Elite brand - <http://www.strauss.ro>
- Alka, a producer and distributor of chocolate and confectionery - <http://www.alka.ro>
- Laboratoarele Fares Biovital, a processor and distributor of tea - <http://www.faresbiovital.ro>
- Plafar, a tea distributor - <http://www.snplafar.ro>

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 ones are included in Chapter 3 of the EU survey.

3. Trade: imports and exports

Imports

Coffee

Romania is a small importer of green coffee in the EU. In 2008, imports amounted to € 40 million / 22 thousand tonnes, signifying an annual increase of 4.6% in value, but a decrease of 10% in volume since 2004. Romania accounted for 0.7% of EU imports, and ranked 15th among EU countries.

Developing countries account for 90% of Romania's green coffee imports. The main developing country suppliers to Romania are Vietnam and Indonesia, accounting for 24% and 16% of total coffee imports, respectively, while Brazil follows with 14%. The former two countries showed a slight annual increase in value and a decrease in volume since 2004, while Brazil's share increased annually by 14%.

Most EU countries import part of their coffee needs as roasted coffee, a market in which developing countries play a negligible role. Romania imports 40%, which is far higher than the EU average (15%). Imports of green coffee are growing at a lower rate (4.6% annually) compared to roasted coffee (26%). Most of the roasted coffee is imported by the EU.

Tea

Romania is a small importer of tea in the EU, ranking 22nd among EU countries. However, imports increased annually by 28% in value and by 37% in volume between 2004 and 2008, amounting to € 3.9 million / 954 tonnes in the latter year.

Poland is the biggest supplier of tea to Romania, accounting for a 51% market share. Imports from Poland are growing very fast. Imports from developing countries account for 19% of Romania's tea imports, growing at a rate of 1.4% in value and of 27% in volume. The leading developing country suppliers were China and Sri Lanka, accounting for 11% and 6.5% of imports respectively. Between 2004 and 2008, China showed a small increase in its share, while Sri Lanka's supplies marked an annual increase of 53%.

Green tea imports increased by 26% in value and 28% in volume annually between 2004 and 2008, totalling € 1.8 million / 325 tonnes in 2008. Black tea imports increased annually by 31% in value and by 44% in volume, amounting to € 2.1 million / 630 tonnes. The share of green tea in total tea imports is among the highest in the EU, at around 50%.

Cocoa

Romania is a small importer of cocoa products in the EU. Romanian imports are only significant for cocoa powder, accounting for 2.7% of the EU total. It accounts for less than 1.0% of EU imports for other product groups, while its imports of cocoa beans are negligible. In 2008, imports of cocoa paste amounted to € 4.7 million / 1.8 thousand tonnes; imports of cocoa butter totalled € 8.0 million / 1.6 thousand tonnes; and imports of cocoa powder amounted to € 8.7 million / 7.2 thousand tonnes.

Whereas imports of cocoa beans completely disappeared during the review period and imports of cocoa powder decreased by 3.8% annually, imports of cocoa paste (+15%) and cocoa butter (+20%) increased. However, cocoa powder imports still increased in volume.

Imports of cocoa paste and cocoa butter are almost completely sourced in other EU countries (Belgium, The Netherlands and Poland). Malaysia and Turkey play a minor role for cocoa butter, each supplying 8.9% of Romanian imports, with the former showing an annual increase of 34% while the latter a decrease of 36%. Developing countries account for 14% of total Romanian imports of cocoa powder, but their share is decreasing by 17% in value and by 16% in volume. Turkey is the largest supplier with a share of 11%. Due to unpredictable imports, it

is difficult to determine trends in supplying countries and price appears to be an important factor in decision making.

Exports

Romanian exports of green coffee are negligible. In 2008, exports of roasted coffee amounted to € 2.2 million / 613 tonnes.

Romania plays a small role in tea exports in the EU. In 2008, exports totalled € 1.5 million / 297 tonnes. Nevertheless, Romanian tea exports increased strongly by 28% in value annually between 2004 and 2008. Around 80% of exports was directed towards Moldova.

Romania does not export cocoa beans and cocoa paste. Its exports of cocoa butter and cocoa powder are negligible.

Opportunities and threats

- Romanian coffee imports are limited and are shifting more to roasted coffee, which is mainly supplied by EU countries.
- Romanian imports of tea offer very limited opportunities for developing country importers.
- + The cocoa powder market may be interesting for suppliers in developing countries. Moreover, imports of cocoa paste and cocoa butter are increasing. However, the position of developing countries on the cocoa market remains limited.

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

Trade associations

- Romanian Chamber of Commerce & Industry - <http://www.ccir.ro>
- The Romanian Food Industry Federation - <http://www.romalimenta.ro>
- National Federation of Ecological Agriculture - <http://www.fnae.ro> (website in Romanian only)

Trade fairs

- Agromalim is an international agricultural fair. The last event took place in Arad in September 2008 - <http://www.agromalim.ro>

Trade press

- Profitul Agricol - <http://www.agrinet.ro> (website in Romanian only)

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>