

CBI MARKET SURVEY

THE COFFEE, TEA AND COCOA MARKET IN SLOVAKIA

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 Slovakia. 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 Slovakia, having certification in place improves your market access in the EU.

Note that the consumption data for coffee and tea in this chapter concern the Slovakian 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 Slovakian 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

Slovakia is a medium-sized-to-small consumer of coffee, responsible for 0.9% of total EU consumption (International Coffee Organization (ICO), 2009). ICO statistics showed a substantial annual increase in total coffee consumption over the period 2004-2008 of 4.8%, amounting to 20 thousand tonnes in the latter year. Per capita consumption stood at 3.1 kg in 2008, which was still significantly lower than the EU average of 5.0 kg.

On the one hand rising incomes have pushed coffee sales up. However, a large portion of Slovakian consumers still exists on a low income, which makes discount and medium value brands popular in the country. Players kept prices steady or used price promotions in order to support good volume growth. At the same time, there is an increasing demand for a wider variety of coffee products. Instant coffee has become, and is expected to become, even more popular (Euromonitor, 2009).

Over the past couple of years, the Slovakian coffee out-of-home sector experienced a great deal of modernisation and development, reflected in the lively café scene and modern bars. Coffee Heaven, a Polish chain, is the principal example of this. However, the at-home (mostly instant) coffee market is also of great importance. Instant coffee accounts for almost 40% of total coffee consumption (ITC Coffee Guide, 2008).

Tea

Slovakia is a rather small tea consumer, with a market share of 0.4% in the total EU tea market. However, between 2004 and 2008, the tea market in Slovakia grew by 2.5% annually, amounting to 940 tonnes. Per capita tea consumption is still limited, at 170 grams, compared to almost 0.5 kilo for the EU on average (International Tea Committee, 2009).

The tea sector's growth is mainly driven by the higher interest in green and herbal/fruit teas reflecting the health awareness that starts establishing in the country. The variety of blends and premium products has greatly increased in the market (Euromonitor, 2009).

Cocoa

Slovakia is a small-sized cocoa consumer, with an EU market share of 0.6% in 2007/2008, amounting to an apparent consumption¹ of 8.4 thousand tonnes. Because of an annual increase of 11% per annum since 2003/2004, Slovakia is among the countries with the highest growth in apparent consumption within the EU.

Slovakia is also a small cocoa bean grinder. The total grindings in 2008/2009 amounted to 3.0 thousand tonnes, having shown an annual decrease 25% since 2004/2005 (International Cocoa Organization (ICCO), 2009).

Slovakian per capita consumption of chocolate amounted to 4.1 kg in 2007. This is lower than the European average of 5.4 kg. Cocoa consumption in Slovakia is higher than in many Central European countries and has been increasing. Moreover, the industrial demand for cocoa has increased, because of the important position its main company Jacobs Suchard Figaro takes on the Hungarian, Czech, Polish and Russian markets, supplying these countries from its processing sites in Slovakia.

Trends in consumption

Despite the global economic crisis, Slovakia is one of the booming economies in the EU and is expected to follow a positive trend. As a result, disposable incomes are expected to further increase. Health issues and considerations are, also, of heightened interest among the Slovaks. These two effects result in increased demand for higher quality coffee and a wider variety of (especially green) tea. On the other hand, competition on the retail market is expected to be very fierce (Euromonitor, 2009).

Production

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

Slovakia has a number of small grinders, processing cocoa beans from developing countries in the country. Tea and coffee processing predominately takes place in the EU, and Slovakia itself has several players. For information on these companies, please refer to section 2 of this market survey.

Opportunities and threats

± The rising spending power of Slovakian consumers, together with the growing attractiveness of Slovakia as a tourist destination, are, according to Euromonitor, expected to provide a strong base for growth and development in the food market in Slovakia. This could also offer opportunities for developing country producers of coffee, tea and cocoa. However, for the coming two years the situation is less certain, due to the economic downturn and rising unemployment especially hitting sales of higher value products.

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.

- + Tea consumption showed an interesting growth during the period analyzed. However, a considerable part of this increase is in the herbal 'tea' segment, which is hampering the demand for black tea.
- + Coffee consumption in Slovakia is showing a very positive development. However, as consumers are focusing on cheaper coffees, Slovakian roasters are also demanding lower quality coffee beans.
- + Slovakia introduced the Euro in 2009. It is expected that this will ensure stable prices, greater trade opportunities in the global economy and attract foreign investment. This will create opportunities for DC exporters as well.

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 Slovakia 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 Slovak 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.

Multinationals lead the Slovakian market for coffee, tea and cocoa, although some domestic companies also occupy an important position. Nestlé (especially strong in the instant coffee market) and Tchibo control the market for coffee, while Jacobs Suchard Figaro (owned by Phillip Morris) controls almost half the chocolate confectionery market. Note that as incomes have risen, Slovakian consumers have turned to these brands, associating them with higher quality and luxury. Only for tea are domestic companies of more importance, although a number of domestic companies exists in all three sectors.

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 Slovakia.

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

- Herbex, producer and distributor of herbal teas - <http://www.herbex.sk>
- B.M. Kavoviny, coffee roaster- <http://www.kavoviny.sk>
- Cajovna Camellia, a tea processor and distributor - <http://www.camellia.sk>
- Baliarne Obchodu, a coffee (brand Popradská) and tea (brand: Mistral) processor - <http://www.baliarne.sk>
- Klember, a coffee and tea processor - <http://www.klember.sk>
- DANAKTA-GROUP A/S - <http://www.danakta.com>
- Maresi Foodbroker s.r.o., food product brokers based in Bratislava, part of an Austrian group – <http://www.maresifoodbroker.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

Slovakia is a small importer of green coffee in the EU, ranking 20th among EU countries. Imports amounted to € 14 million / 4.5 thousand tonnes in 2008, signifying an annual increase of 26% in value and a decrease of 9.6% in volume since 2004. Slovakia accounts for 0.3% of total EU imports.

Not only is Slovakia a small green coffee importer, but also the share of DC suppliers is limited to 9.7% and is decreasing at a rate of 16%. Vietnam and Brazil are the main developing country suppliers (3.8% and 1.4% respectively) both of whose importance is substantially decreasing.

Most EU countries import part of their coffee needs as roasted coffee, a market in which developing countries play a negligible role. Slovakia imports a very large percentage of its coffee as roasted (82% in volume, compared to an EU average of 15%). This shows the relatively limited importance of local Slovakian roasters on the market. Imports of roasted coffee are replacing those of green coffee, with the former increasing at a rate of 60% and the latter at a rate of 26%. Therefore, Slovakia almost exclusively relies on EU countries for its coffee imports, as these are mostly sourced in EU countries.

Tea

Slovakia is among the smallest importers of tea in the EU, accounting for 0.4% of EU imports, and ranking 21st among EU countries. However, between 2004 and 2008, imports increased by 12% in value and 10% in volume annually, totalling € 4.0 million / 1.1 thousand tonnes in 2008.

The Czech Republic accounted for 42% of all tea imported by Slovakia in 2008. Tea imports from the Czech Republic increased rapidly, as did imports from Poland. Developing countries accounted for a market share of 11%, decreasing at a rate of 12% since 2004. In particular, imports from China decreased substantially, at an annual percentage of 22%. The only important developing country supplier is now Sri Lanka, with a share of 6.7% in total imports.

Black tea imports increased by 15% in value and by 10% in volume annually, amounting to € 2.6 million / 834 tonnes in 2008. Green tea imports increased by 7% annually in value and by 11% annually in volume, amounting to € 1.3 million / 302 tonnes in 2008. More than a third of tea imported by Slovakia is green, which is comparable to the EU average (28%).

Cocoa

Slovakia is among the smallest importers of cocoa products in the EU. The country takes a medium position for cocoa beans, butter and powder, although actual imports are very small in an EU perspective. Its imports of cocoa paste are very small in an EU perspective. In 2008, imports of cocoa beans amounted to € 9.3 million / 5.2 thousand tonnes; imports of cocoa paste amounted to € 493 thousand / 72 tonnes; imports of cocoa butter totalled € 15 million / 3.3 thousand tonnes; and imports of cocoa powder were worth € 1.9 million / 1.1 thousand tonnes.

Whereas imports of cocoa butter (+34%), cocoa beans (+0.5%) and cocoa paste (+3.9%) increased between 2004 and 2008, imports of cocoa powder (-15%) decreased.

Developing countries do not supply Slovakia with any cocoa beans, butter or paste for which it turns to EU countries. Developing countries supply the 7.6% of cocoa powder to Slovakia with a decreasing importance of 14% since 2004. Turkey accounts for 6.7% of Slovakian cocoa powder imports.

Exports

Slovakia's exports of coffee are becoming more substantial, as demonstrated by growth figures of +194% annually between 2004 and 2008. In 2008, exports of green coffee amounted to € 6.3 million / 448 tonnes. Roasted coffee exports amounted to € 43 million / 11 thousand tonnes increasing by 107% since 2004. Most exports are destined to neighbouring countries.

Slovakia's exports of tea are small amounting to 0.2% of the total EU. Exports amounted to € 1.2 million / 150 tonnes in 2008.

Slovakia does not export cocoa beans and exports of cocoa butter are negligible. Exports of cocoa paste are small, at € 588 thousand / 4.8 thousand tonnes. Exports of cocoa powder decreased by 31% annually, amounting to € 515 thousand / 189 tonnes in 2008.

Opportunities and threats

- Slovakia is not a very interesting country for developing country producers of tea, as import values and volumes are really small in EU perspective. Furthermore, developing countries account for a relatively small and decreasing import market share. However, imports are increasing.
- ± Imports of coffee are increasing strongly. However, coffee imports mostly consist of roasted coffee, in which developing countries play only a limited role.
- ± Slovakian imports of cocoa products are limited, but the imports of cocoa beans are increasing and especially cocoa butter shows a favourable development.

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, Slovakian 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.

Slovakian coffee retail prices are average compared to other EU countries, at € 7.89 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 Slovakia, you should be aware of the market access requirements of your trading partners and the Slovakian 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 'Slovakia' 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 Slovakia, visit the following websites:

Trade associations

- Food Chamber of Slovakia / Potravinárska Komora Slovenska (PKS) – <http://www.potravinari.sk>

Trade fairs

- Agrokomplex is an international complex for agricultural and food fairs. The next event will be held in August, 2010 - <http://www.agrokomplex.sk>
- Danubius Gastro is an International Fair for Gastronomy. This year it took place in January 2010 - <http://www.incheba.sk/exhibitions/basic-information/2224>

Trade press

- Tea Centrum - <http://www.tea-centrum.sk> (website in Slovakian 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>