THE CONSEQUENCES OF EC '92, GATT AND THE DEVELOPMENTS IN EASTERN EUROPE FOR EXPORTS FROM DEVELOPING COUNTRIES TO THE EUROPEAN MARKET

PRODUCT REPORT: COFFEE

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TABLE OF CONTENTS

INTRODUCTION

Trading conditions on the European market will change rapidly over the next few years as a result of several important developments. Firstly there is the integration of the European Community market. Secondly the outcome of the Uruguay GATT trade negotiations will affect EC trade regimes. Finally, a major issue in Europe is the rapid development of closer economic co-operation between the EC and East European countries.

All these developments will have significant consequences for suppliers from outside Europe and especially for suppliers from developing countries.

In some cases competition will become even heavier for suppliers from developing countries and there will be new conditions they will have to meet if they are to stand any chance of success on the European market. In other respects Europe will offer them new opportunities and more transparency in marketing conditions.

The aim of this report is to inventorise the effects of these developments for suppliers of green and processed coffee from developing countries.

In Chapter I the general market situation is briefly outlined. In Chapter II we go further into the consequences of economic unification in the EC. In Chapter III the (likely) outcomes of the GATT Uruguay Round of negotiations are described and in Chapter IV we estimate possible effects of developments in Eastern Europe and the closer co-operation between the EC and those countries.

Finally, in Chapter V, we present general conclusions and recommendations for suppliers from developing countries.

CHAPTER I: THE EUROPEAN COFFEE MARKET

I.1 Consumption and market segmentation

All member countries of the EC showed poor growth in domestic consumption of coffee in the 1980s. At the same time coffee traders had difficulty locating sufficient quantities of the desired types and qualities of raw coffee.
Coffee is facing increasing competition from other drinks such as soft drinks and fruit juices. Positive trends in the 1980s were an increase in the up-market and quality sectors.

There are some very clear growth segments in the overall coffee market:

- Decaffeinated coffee in Germany, the UK, the Netherlands, Belgium and Italy;
- Mild coffees in Germany;
- Instant coffee mixtures (e.g. with cichory and milk) in France and Belgium;
- Premium products such as high or 100% Arabica-content coffees in France and the UK;
- Espresso-type coffees in northern Europe;
- In all EC countries there is a trend for growth in quality coffees: premiums, highly flavoured and specialist coffees.

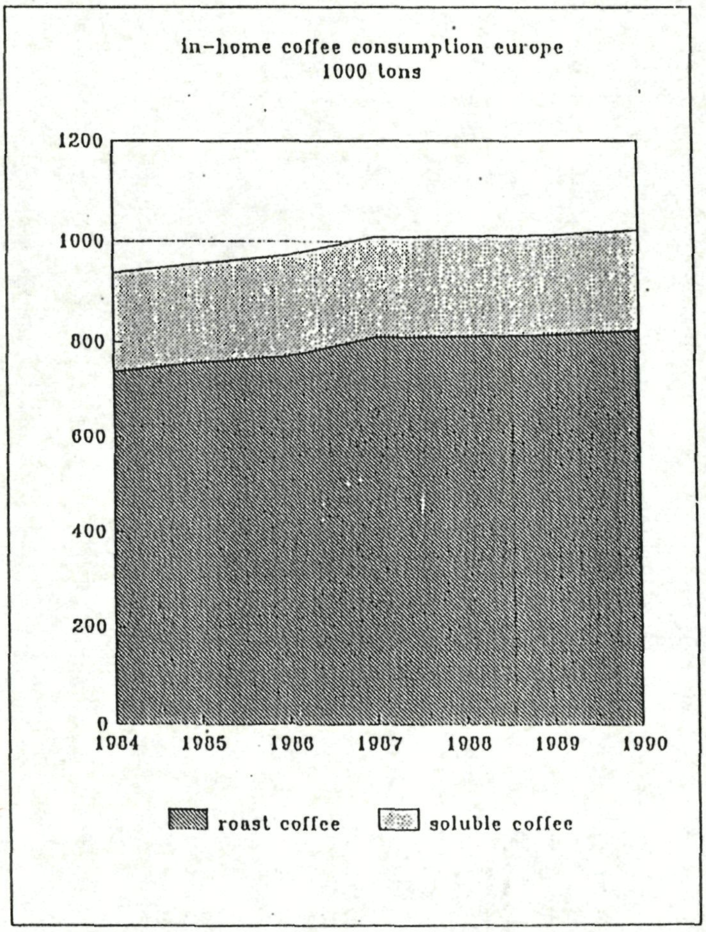
Table 1: Total per capita consumption of green coffee in kilos, 1990

Austria	9·5
Denmark	10·5
Germany	7·4 (5·8 kg in former GDR territories)
Netherlands	8·4
Norway	10
Spain	4

Source: European Coffee Federation, Annual Report, 1990.

For the most important European markets (Belgium, France, the UK, the Netherlands, Italy, West Germany and Spain) home consumption increased to well over 900000 tons (final product equivalent) in 1989, up some 10·3% over 1984. The rise in the

consumption of coffee compares relatively well to other foods and drinks.
Ground coffee has only been widely available on the Spanish market since 1983 and has since been an area of rapid growth in that country. Consumption in Germany is expected to grow further as a result of unification. Other European markets will grow only marginally in the 1990s. A short survey of major European coffee markets is given in Appendix 1.



The development of retail coffee sales in value terms show a completely different pattern compared to the development of sales in volume, because world market prices have shown major fluctuations from 1984-1990.

Table 2: **European retail sales by type 1984-1990 in million US$**

	1984	1985	1986	1987	1988	1989
roasted	4071	5842	8689	7558	7073	6599
soluble	1274	1759	2172	2242	2133	2243
Total	5346	7601	10861	9801	9206	8842

Developments by segment

The European coffee market is not a uniform one. There are large differences between national consumer preferences for coffee varieties and blends. In practice this means the European roasting industry develops coffees specifically for national or regional markets. In making these specific blends European roasters use coffees from many supplier countries, creating special combinations which result in specific tastes and aromas.

On the trading, processing and distribution side, the European market is strongly concentrated, but the market remains very fragmented as far as consumer tastes are concerned.

Nevertheless, some general remarks can be made about the position of different coffees on the European market.

Arabicas vs. Robustas

In the EC Arabica coffees dominate the market. There is, however, a difference between northern and southern European countries. In Germany, the Netherlands and Scandinavia Arabica coffee accounts for between 80% to 100% of the market. In France and Italy Robustas have a market share of about 50%. This is due to the fact that in these countries consumers are used to drinking 'espresso' coffee for which Robusta is used.

There is a tendency in the EC for these differences to become smaller. In Denmark, Germany and the Netherlands Robusta coffees have shown modest growth over the last few years, while in France and Italy the market share of Robustas has declined.

In Appendix 2 a more detailed analysis is presented of the market share of different types of coffee on the major European markets.

In general, one can say that there is a shift of demand on the world market from low quality Robustas to high quality Arabicas. Colombia and other milds show an especially strong increase in demand. This was one of the main problems hampering negotiations on renewing price stabilization mechanisms of the International Coffee Agreement. Consumer countries demanded a re-allocation of export quotas which would conform to demand. This would harm certain African countries, which mainly produce Robustas.

Ground vs beans

As we can see from the tables presented here ground coffee dominates the market in most European countries. Only Switzerland is an exeption with beans accounting for almost 50% of the market.

Caffeinated vs decaffinated

Consumption of decaffeinated coffee is growing faster in all countries compared to caffeinated coffee. This tendency is especially strong in the German market.

The market share of decaffeinated coffee is highest in Germany and Austria.

Biologically-grown coffee

European consumers are fast becoming more interested in biologically grown coffee. Demand is higher than supply at the moment. The overall market share of bio-coffee is however still very small.

Instant (soluble) coffee

This accounts for almost 20% of the home market, if converted into the roast coffee equivalent. The proportion of instant coffee sales has been gradually declining throughout the 1980s from 21·2% in 1984 to 19·4% in 1990.

In terms of volume growth, between 1984 and 1990 the market for instant coffee has stagnated while roasted coffee grew by 10% and is expected to grow still further during the 1990s.

The development of the market for instant coffees is very much dependent on what happens in the UK, which is by far the largest market for this product. Consumption of instant coffee has stagnated in the UK; 37000 tons in 1985 compared to 38000 tons in 1990. Consumption of instant coffee mixtures has increased significantly in several markets (most notably in France) so the figures for pure instant coffees are obscuring growth in this small segment. In Germany, instant coffee consumption rose slightly from 11500 tons in 1988 to 11700 tons in 1989. In the Netherlands, consumption of instant coffee decreased slightly from 1307 tons in 1989 to 1289 tons in 1990.

Consumption by user category

In most European countries home coffee consumption accounts for between 70% and 80% of the market. Demand from the catering and retail sectors is highest in Austria and Italy.

I.2 Imports and main suppliers

I.2.1 Developments in imports and main suppliers

Imports of green coffee to Europe rose from 1·85 million tons in 1986 to more than 2 million tons in 1990.

Imports of roasted and/or decaffeinated coffee as well as instant coffee are very limited. In 1989 only 2960 tons of roasted coffee were imported into the EC, and only 189 tons of decaffeinated coffee.

Figures on imports into major European markets are given in Appendix 3.

The failure to negotiate a new International Coffee Agreement in July 1989 means that the imports and prices of green coffee are effectively regulated by market forces. European roasters are therefore free to obtain coffees from whichever supplier country they wish, and they are not hindered by export quotas. This has led to a shift in market shares for green coffees originating from different regions.
Worldwide exports of the Colombian Mild countries increased by 33%, those of Robusta countries by 15%, and 'other milds' by 12%. Brazilian and other Arabicas dropped by 8%.

I.2.2 EC import regime for coffee

Green coffee imports to Europe are more determined by type and quality than by the EC's import regime.
Import duties for coffee clearly reflect the protectionist character of the EC trade regime.

As we can see from Table 3, the EC protected its coffee processing industry strongly against Third World imports before the start of the present GATT negotiations in Uruguay. The (likely) outcome of these negotiations is given in Chapter III.

Table 3 : EC importduties on coffee in percentage

	duties before Uruguay Round autonomous	conventional	Mid-term review autonomous	offer conventional	Final offer conventional	GSP rates	ACP and LDC rate
9011100 green coffee, not roasted not decaf.	12	5	4	5	0	no prefer.	free
9011200 green coffee, not roasted, decaf.	21	13	10	13	8,5	8,5	free
9012100 coffee, roasted, not decaf.	25	15	12	15	7,5	11,5	free
9012200 coffee, roasted, decaf.	30	18	15	18	9,5	12,5	free
9013000 husks of coffee	21	13	7	13	0	no prefer.	free
9014000 surrogats containing coffee	30	18	30	18		13	free
2101000 extracts and essences of coffee	30	18	30	18	9	9	free

Imports of green and processed coffee from developing countries enjoy preferential treatment under the EC General System of Preferences. As we can see from the table preferential import duties on processed coffee are also rather high.
Only coffee imports from the ACP and least developed countries can enter the EC freely. The GSP rate for coffee extracts and essences under heading 2101.10.11 of the EC's harmonized system for import duties is limited to 19200 tons annually.

In 1989 the EC passed special conditions for Colombia, Equador, Peru and Bolivia. Within the framework of the international initiative against drugs, those countries were granted the same import regime as the ACP and LDC countries. This means that all their coffee, whether green or processed, can enter the EC duty-free.
At present the EC is investigating whether this preferential treatment has led to significant trade relocation. There are indications that this measure has indeed resulted in some trade relocation to the advantage of those countries, because a 4% extra margin is quite significant in the coffee trade, especially at a time of low world market prices.

EC import regimes on (semi)-processed coffee do not seriously affect imports of (semi)-processed coffee from developing countries. Even if developing countries can export their coffee products without having to pay any duties there are major obstacles which make it difficult for them to achieve increased market share.
First of all, as indicated above, the European coffee market is very fragmented and specific blends for specific markets require the blending of coffees from many different countries.
Secondly, the concentration of both the roasting industry and retail distribution is very high, and there is a close relationship between the two. This makes it very difficult for suppliers from developing countries to get processed coffee onto the supermarket shelf (see also under I.3: distribution).

For instant coffee the situation is slightly different because it is less sensitive to blending. Here again we have the 'concentration factor' which effectively prevents suppliers from penetrating the market. This is clearly illustrated by the fact that the annual [GSP] duty-free entry quota for soluble coffee, which is mainly used by Brazil, is never completely filled.

The only substantial exporter of instant coffee to the EC is Brazil, but Brazilian instant coffee is bought gross and blended with other instants, or packaged and brought into the supermarket with 'private labels'.

I.3 Distribution channels

I.3.1 Concentration in food retailing

The dominating feature of commercial food distribution in Western Europe (and also the USA) is the growing strength of the supermarket chains.
An indication of their growing importance is their increasing share in total food sales. This tendency has been a long term one and still continues. There are, however, considerable differences within the EC.
The European coffee market shows the same trends for both concentration as distribution.

Table 4: Market share of supermarkets in total coffee sales, 1989

	France	Italy	UK
Supermarkets	88%	42%	60%
Self-service	n.a.	27%	8%
Grocery shops	9%	7%	12%
Special shops	5%	n.a.	n.a.
Others	24%	20%	n.a.

Table 5: Market share of leading retailers in coffee sales

	roasted coffee	soluble coffee	leading retailers
Germany	18%	25%	ALDI, Kaiser, PLUS, Karsted.
Netherlands	20%	33%	AHOLD
UK	27%	13%	ASDA, Gateway, Spar
France	17%	10%	Carrefour, Casino, Continent
Belgium	36%	10%	GB-INNO, Delhaize, Colruyt, ALDI.

Concentration in food retailing, driven by the large integrated supermarket chains, has had consequences at several levels.
At the horizontal level, independent retailers have established central buying organizations from which all associated members can profit. This co-operation is, however, looser in many cases than with the integrated supermarket chains. Managers of associated supermarkets remain responsible for their results and still have considerable autonomy in buying, assortment, promotion, etc.
At the producer level, we also see a powerful tendency towards concentration. Almost every national coffee market in Europe has a high degree of concentration in the roasting industry.

Table 6: Market share of the top three roasting firms, 1989

	roasted coffee	instant coffee	main roasters
Germany	57%	67%	Morris, Tchibo, Eduscho
Italy	62%	99%	Lavazza, Segafredo, Illy
Netherlands	79%	67%	DE, Drie Mollen
Spain	67%	95%	Nestle, Morris, DE
France	59%	88%	Nestle, Morris, DE
UK	51%	86%	Nestle, Morris
Belgium	59%	89%	DE, Rombouts, Fort

Major European roasters like Jacob-Suchard (Philip Morris), Douwe Egberts (DE) and Nestlé (instant coffee) market their coffee under their own brand names.
On the other hand there are large integrated supermarket chains which develop their own label coffees. This coffee is either roasted by indendent roasters or roasted by the supermarkets themselves (like AHOLD in the Netherlands).
Between these dominant parties on the European coffee market there is little room left for others.
The market share for other coffee roasters is rapidly declining. This is not so much at the expense of the very small roasters; these may be able to maintain their position by filling market niches by specializing, for instance, in the institutional market or in specialty coffees like espresso. They can also hold a regionally strong position by supplying local shops, as in Italy. The small roasters are also especially interested in higher quality coffees, or coffees with special tastes.
This market concentration has been especially disadvantageous for 'mid-level' roasters who, while maintaining their position on national markets, were not able to register growth Europe-wide. These roasters are being rapidly taken over by larger ones.

This picture differs from country to country. In Italy there are still 2600 independent roasters, in Belgium some 260, and in the Netherlands only 30.

Finally, concentration in the retail sector has consequences for the wholesale sector. Retail chains are penetrating the wholesale sector more and more, and even imports. We can call this backward integration. The same is true for the leading roasters who are also resorting to backward integration, into the 'green coffee' trade in some cases.
One example of this is Jacob-Suchard. This company established the TALOCA subsidiary for trading in coffee. It has has local branches in all the major coffee producing developing countries. In 1985 Jacob-Suchard tried to take over Bernhard Rothfoss, the leading trader and importer of green coffee in Germany. This takeover was, however, prevented by the Bundeskartell Amt. In 1987 Jacob-Suchard took a 45% interest in E.D.& F. Mann, a leading trader in coffee, sugar and cocoa.

Apart from changes in the structure of food production and distribution, concentration in the retail sector has consequences for the entire way the retail business operates. We shall now go into some aspects central to the food retail business today.

I.3.2 Product positioning and product development

As we have already seen, the European market is highly saturated. It is therefore essential for all who operate on this market to look carefully at new marketing opportunities (and even help develop new consumer preferences).
In fact, we can speak of a "battle for supermarket shelf space". Naturally, supermarkets are looking at ways to optimize profits and minimise costs in a market showing minimal growth. One of the most important factors for achieving optimal results is a good strategy in product positioning and development.
Introductions of new products are carefully studied to minimise risks of failure.
This means that only those products that are almost certain of success in market niches are allowed onto supermarket shelves. There is a growing trend whereby some producers actually pay money to get their products displayed and promoted by the supermarkets. In some cases producers have to pay a fine if a newly introduced product is not successful. This trend is further encouraged by the fact that the number of new products far outstrips the growth of supermarket shelf space.
While producers have concentrated their efforts over the past few years on redefining their core activities and consolidating the position of their brand names, this strategy is now under attack by the big food multinationals who are developing their own brands. We call this backward integration in so far as these products are produced in owned

production facilities, but in many cases these products are ordered from smaller independent producers.]

There is consequently little room left for the unknown and unsupported labels of smaller producers and suppliers in the supermarkets.

The latest tendency is for retailers to introduce top quality labels of their own which obtain high gross margins compared to brand names from established producers.

In Germany, for example, the market share of such private labels for roasted coffee is about 10%.

Another factor closely related to this concentration is that both food producers and supermarkets are trying to introduce European brands. This is, however, not easy. Consumer tastes and habits are still rather diverse in many European countries. Again Jacob-Suchard is one of the leaders, investing heavily in developing and introducing European brands of coffee and chocolate.

'Night and Day', a decaffeinated coffee, was introduced in several European countries simultaneously.

Still, it is realistic to say that throughout the 1990s the European coffee market will remain very fragmentated as far as consumer tastes and preferences are concerned.

I.3.3 Total quality management

Another very important aspect in food retailing today - in fact in all sectors of European business - is the increased effort being put into total quality management. In essence this concept means that producers and traders both have total control over all aspects of their business and that there is a 'first-time-right' service towards clients. In the most limited sense total quality control means that products and services delivered have a consistently high quality and no defects. In a broader sense it also implies just-in-time deliveries and good after-sales service.

In food retailing this primarily means that product quality standards are constantly rising and that only those suppliers showing consistently good overall performance in product quality, on-time delivery and service are acceptable.

I.3.4 Logistics

Optimizing financial results in the retail trade also means increased attention to logistical details. A great diversity of products are available, all marketed according to their specific characteristics. Some products have a high turnover, while others move much more slowly. Some are high volume sellers, others are specialities sold in small

quantities, and so on.
Logistic management in retailing aims at ensuring a constant supply of goods - of a selected assortment - while on the other hand minimising transport costs, storage and stock levels. All the leading supermarkets nowadays have central distribution systems, utilising warehouses managed by themselves or contracted out. At the other end of the line there is the rapid introduction of automated systems which register sales and link these to current stocks so that just-in-time deliveries, either from the central warehouse or from the manufacturer, can take place.
Naturally, retailers are looking at ways to get their suppliers to pay for the high costs of keeping stocks.

The rapid development of sophisticated logistical management means that suppliers have to be able to fit into the logistical systems of the retailers. If they do not, they will never be able to get their products through this marketing channel even if they meet all price and quality demands.

I.3.5 Packaging

Another aspect which is very important in food retailing is packaging. Packaging has three major dimensions.
The first is that packaged food products have to meet the requirements of the logistical system of the retailers. They are constantly looking for packaging which reduce storage and handling costs.

From a logistical point of view, packaging will become more and more standardized. Food products will be packed in standard volumes and modules which are easy to handle and transport, and which fit well into supermarket shelves.

The second aspect is that packaging is a way to promote the product. From this point of view it is important for suppliers to meet all supermarket demands covering labelling, standard volumes, etc, which are dictated by marketing policies.

The third factor, which will become more important during the 1990s, is the environmental aspect. From the environmental point of view, the most important development is that the EC and national authorities will clamp down on packaging which has to be burned or dumped. Packaging must be designed for re-use and/or recycling.

The most stringent packaging regulations are expected to be implemented in the Netherlands and Germany. New German legislation identifies three types of packaging:

- Sales packaging: the packaged product that reaches the consumer;
- Gross packaging: intermediate packaging;
- Transport packaging: pallets, crates, etc, for the transport of goods from producer to distributor.

From the 1st of December 1991 no transport packaging is allowed to finish up on public waste dumps. This will also apply to gross packaging from the 1st of April 1992 and for consumer packaging from the 1st of June 1993.
Distributors and the processing industry are therefore obliged to develop new systems which include re-usable or recyclable packaging. The legislation also applies to imported products.

A collection and recycling institution, called the 'Duales System Deutschland GmbH', has been set up in Germany. This institution approves products with a so-called 'Green Dot'. Suppliers pay to get their products licensed. Products are tested on environmental grounds and only receive the Green Dot if they create no waste or can be recycled.
This has very important implications for products from countries outside the EC. If a product does not receive a Green Dot, retailers will reject it as they can be held personally responsible for the waste that product creates.

For roasted coffee, therefore, packaging materials is crucial. If burned, metallized foil does not cause pollution. Aluminium lamination, however, does.

In the Netherlands the Ministry of the Environment has negotiated an agreement with distributors and industry to signficantly reduce wastes caused by packaging. If these goals are not met the Ministry will enact new legislation forcing business to reduce waste.

A programme aimed at solving packaging-induced pollution is an important part of the recently published EC programme covering the distribution sector.
Consultation between distributors and the European Commission will eventually lead to a programme in which the sector commits itself to new packaging methods which reduce pollution.

I.4 Prices and margins

Coffee prices on the European market depend very much on the world market situation. After the abolition of the International Coffee Agreement (ICA) export quota in 1989, the price of coffee on the world market dropped from 128·49 $ cents/lb to 62·15 $ cents/lb by the end of that year. The price recovered a little in 1990, but in April 1991 the ICO's 15 day average was still only 72·65 $ cents/lb.

With the major import markets imposing increasingly high quality standards there is an increasing tendency for the market to split between low-priced Robusta coffees and higher priced Colombian and other mild coffee types.

As we can see in the chart in Appendix 4, coffee prices for other milds fell sharply in 1989 but recovered in 1990 and 1991 to reach a price of approximately 90 $ cents/lb. The price for Robusta, however, dropped to about 50 $ cents/lb.

There are large stocks of coffee on the world market (estimated at between 30 and 35 million bags). These consist primarily of Robustas of doubtful export quality.
Since the abolition of the ICA export quota, exports have exceeded consumption. This over-supply is expected to continue over the next few years.
In 1989 and 1990 the lower international prices for coffee were reflected in lower consumer prices throughout the EC. Roasters, however, needed to invest a lot of money in new processing technologies, product development and advertising. These costs were passed on to the consumer.

I.5 Implications for suppliers from developing countries

The growing concentration in the EC of both the processing and distribution sectors has important implications for suppliers from developing countries.

In the case of green coffee, import and wholesale structures are being increasingly tied to either the big retailers or the big roasters, thereby increasing the dependence of overseas suppliers on them.
As we have seen, roasting is strongly concentrated in all the EC markets. The top five companies usually dominate the market. The ever-decreasing share of the smaller roasters offers only limited outlet possibilities.
There is still some room left for high-quality, special-taste coffees which offer

'something extra'. This applies both to supply possibilities for traditional roasters or those roasters supplying the supermarkets. Special coffees are always an interesting proposition because of the continuing process of finding new blends and mixtures with which to satisfy consumer tastes.
These special coffees can be sold at a much higher price than low quality coffees.

We can conclude from the above that it is very difficult for suppliers from developing countries to market roasted and instant coffee in Europe even if they are granted duty-free privilages. Marketing processed coffee in Europe is only possible with strong marketing support from import agencies willing to commit considerable effort to targeting various market segments. The most promising segments are small grocers and speciality coffee shops.
Marketing processed coffee is difficult not only because of the concentration in the European market but also because of the specialized blending required. The only option would be to promote 'national' coffees as special products which have not been blended with coffees from elsewhere. Marketing processed coffee in the 1990s in Europe also requires considerable knowledge of regulations applying to the product. We will see this in Chapter II where we devote more attention to the consequences of the EC's free market for the coffee sector.

CHAPTER II: THE CONSEQUENCES OF THE REALIZATION OF THE EC INTERNAL MARKET

Introduction

The European Community is the denomination of what used to be called the European Economic Community. The term EC also applies to the European Common Market. The EC has twelve members, namely Belgium, Denmark, France Germany, Greece Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and the United Kingdom.

At the moment, the EC is implementing the unification of the twelve members into an economic and political union. It is envisaged that this unification will lead to a stronger EC. One of the most essential plans will be the removal of trade barriers within the EC. This will allow a free flow of trade to save time and costs in transportation. The economic union, as well as the political union, will allow the member countries to adjust their economic and social systems, reducung differences between the members. Harmonizing laws and regulations, creating uniform standards and quality requirements, simplifying administrative procedures and erecting social and monetary structures will clarify the EC.

The objectives of such a harmonization are to facilitate trade between the EC members, stimulate economic activities through enlarged economies of scale, raise competition and economic growth and allow a free flow of capital, goods, services and individuals. The deadline for the realization of the internal market is 31 December 1992.

As we have seen in Chapter I the European coffee market is already very concentrated both from the processing and distribution angles. It is expected that this process will continue but this is not specifically linked to the EC '92 programme of the European Commission.

Price levels differ between EC countries. This is mainly the result of differences in taxes. We shall return to this later on. It is expected that these price differences will gradually decrease.

However, EC '92 does have important implications for the coffee sector. These follow on directly from legislation covering the EC food market.

They can be split up as follows:

1) Changes in EC import regimes

2) EC regulations on food products, specifically coffee

3) Product liability

4) Tax harmonization

II.1 Changes in EC import regime

The EC '92 programme will not of itself lead to changes in the import regimes covering coffee.

The only direct effect will be that existing quotas will no longer be allocated and governed by individual member states but will be supervised at a Community-wide level. For example, preferential quotas since 1990 for instant coffee are no longer set by member states but are controlled by the EC.

II.2 EC regulations on food products relevant for coffee

Differences in national norms and standards for industrial products are the most important obstacle blocking free trade in the EC. They may also discriminate considerably against imports from countries outside the EC. Products that do not meet national or EC standards they cannot enter the market.

Most of the approximately 300 regulations which the EC is preparing as part of its EC '92 programme deal with product norms and standards. Food is one of the most important product groups for which these European standards are being developed.

Food products are a particularly sensitive group. Not only can different national regulations and standards lead to discrimination against producers from other EC member states, but in addition there is a complex web of regulations in each state designed to protect consumers against health and safety hazards.

A third factor affecting Community regulations governing food products (besides industrial standardization and public health) is how the production of and trade in these products affects the environment.

We look briefly at all these factors here in order to analyse the consequences for suppliers from developing countries.

For some time now the EC has been introducing measures to standardize national laws on food. In developing common standards the EC has two guidelines. The first is a question of recognition. If one government approves a product, then it should be possible for it to be freely traded in all other EC countries. The second is providing EC regulations which harmonize the existing national regulations.
There are various options the Commission can choose from in its bid to harmonize regulations:

- The EC sets minimum requirements for a particular product, while still allowing individual member states to apply additional conditions. This is, for example, the case for packaging and labelling food products.

- The EC can also give an exclusive enumeration of elements which may be used in food products. This is, for example, the case with what type of additive is allowed in food products.

- Thirdly, the EC can set minimum levels. Products complying with these levels would be allowed into all member states, but individual member states can stipulate even more stringent requirements. An example of this is the first EC proposal on residues of pesticides in fresh fruits and vegetables. In its most recent proposal the EC gives maximum levels which may not be exceeded.

- Finally, the EC might opt for laws applying to all member countries. Products falling under these regulations (when they come into force) will receive a CE mark if they meet all conditions. Products with the CE mark may be traded freely within the Community.

We shall examine in more depth regulations directly affecting coffee products below.

A) Regulations relevant to green coffees

Regulation on maximum levels of pesticide residues
The EC limits on maximum pesticide residue levels applies to green coffee beans. This law was adopted in December 1990. Unfortunately, maximum levels for specific pesticides, which should have appeared in the appendix of the law, have not yet been published. This law is therefore ineffective.

Regulation on biologically grown products

This regulation is also important for green coffee. Specifications are proposed for 'biologically grown' coffee, thereby leaving approval in the hands of national institutues. Imported products can only be approved if comparable institutes, recognized by the EC, exist in the countries of origin. Currently, a great deal of negotiation is taking place between the EC, European industry and the IFOAM (the International Federation Of Organic Producers). European industry wants a reliable regulation and certification scheme, run by respected private institutions such as EKO/SKAL in the Netherlands and Naturland in Germany. The IFOAM could endorse certifiers from third countries, but it will be several years before this system can be properly worked out.

B) Regulations relevant to processed coffees

Regulation on the definition of coffee and coffee extracts

There is an EC regulation governing essences in coffee and cichory (Council regulation 77/436/EEC; O.J. L172 of 12-7-77 and Council Regulation 85/573/EEC; O.J. L372 of 31-12-1985). There is, however, no regulation covering roasted coffee, and it is unlikely one will be formulated in the future.

Most EC member states have regulations, which are part of their food and safety laws, covering coffee and coffee extracts. These lay down minimum requirements. We provide an overview of the different requirements that individual member states had in 1988 in Appendix 4.

Most EC regulations are not product-specific but 'horizontal legislation', i.e, broad regulations applying to most food products.

Regulation on 'lot-identification'

This proposal aims to identify production series of goods. This regulation is necessary in order to facilitate the rapid recall of products should they prove to be a serious health risk.

Regulation on product labelling

In this recently approved regulation some new clauses are also important for coffee. Products which have a tenability of more than 18 months now also have to display a tenability date on the label. The same norms apply to products meant for catering and institutional consumption. EC member states can apply for permission for their own rules to apply on tenability. For example, in the Netherlands the term is 8 months for roasted coffee, but in Germany one year and other members far longer.

Regulation on packaging and standard quantities

This regulation is still under discussion. The proposal is that food packaging be standardized on the basis of weights ranging from 5g to 10kg (the precise weights, in grams, are 75, 125, 250, 375, 500, 750, 1000, 1600, 2000, 3000, 4000, 5000, and 10000).

However, some member states are accustomed to other norms, such as with the 400g roasted coffee pack in Germany.

So far the discussions have led to an agreement to submit draft regulations covering the packaging of all food products. It is expected that the EC will suggest measures that at least some of its member states will adopt. States will be free to ignore these, but those members who adopt them will be able to refuse imports that ignore these norms. It is expected that several years will pass before this regulation is worked out and ready for implementation.

Regulation on solvents

This regulation is important for decaffeinated coffees. The EC's most recent proposal does not suggest any major changes to limits on solvents.

Regulation on 'novel foods'

This regulation is intended to guarantee that food products manufactured following entirely new processes have first to be tested and certified before they are allowed on the market.

Regulation on 'claims'

There will soon be an EC proposal covering claims. Promising specific things of a particular food is very popular in Europe today. This is especially the case with foods which claim to be good for one's health or can prevent certain ailments. The proposal aims to reduce the number of claims in food marketing.

Besides imposing regulations on additives, packaging, labelling, etc, the EC can encourage the business to develop its own certification and quality standards which can then be approved by the Community. In December 1990 the EC introduced a proposal regulating the certification of certain food producs. Under this system, certificates are issued guaranteeing foods which genuinely have characteristics distinguishing them from other products in the same category. The EC registers all those foods issued with certificates. A number of requirements have to be met in order to qualify. These conditions mostly cover ingredients and processing methods.

A second Commission proposal covers the origin of the products as claimed on labels.

This would protect food products coming from regions which have qualities (such as a particular taste, flavour, etc) attributable to a specific region. Therefore, only those products that genuinely come from the region claimed on the label will be certified as such.

In addition to these regulations, there are norms and standards which have been formulated by both national and international certification institutes. These cover not only the products but also the producers. The certification of top bramd producers has long been in force within the industry.

Certificates on a national level have existed for quite some time, such as the British 5750 Standard 5750 [parts 1-3] and the Dutch 2426-2648 NEN norms 2426-2648. Since 1987 internationally recognized norms have been issued by the ISO (the International Organization for Standardization). The ISO's 9001-9004 norms guarantee that certified producers and suppliers have met the highest possible criteria on processing, quality control and management. ISO norms are likely to become more and more important in future. Obtaining certificates will give producers or suppliers a definite advantage over competitors. Those who cannot will find themselves increasingly excluded from the trade.

The EC is developing its own system for standardizing norms. In 1989 Directive EN 45000 came into force. It covers producers, their products and controlling bodies in EC member states. It also conforms completely with ISO norms.

Implications for suppliers from developing countries

It is clear that product and producer standards will become an extremely important factor in competition between suppliers operating on the European market in the 1990s. Suppliers from developing countries therefore need to follow EC developments closely in order to develop their own programme on product and processing standards. Suppliers from developing countries will find that it becomes increasingly important to do so.

No trader in the European Community will accept products which do not comply with EC standards. Consumers in the EC are becoming more and more aware of health and safety. This means that suppliers from developing countries will have to apply strict health and safety standards and develop products containing as few artificial additives, conservatives, etc, as possible. Biologically grown products are becoming more popular by the day and here again it is vital that products can meet EC standards. Producers from developing countries will need to pressurize their authorities into establishing bodies which can credibly certify their products to EC norms.

Harmonization of EC laws on food products is on the way but some time will pass before it is in place. Meanwhile, national regulations will continue to exist and to differ. This implies that foreign suppliers might find their products accepted in one country but not in another. It is therefore advisable for foreign suppliers to adopt the highest standards applicable within the EC. This will guarantee them EC-wide acceptance.

Germany and the Netherlands are known for their high norms for food products. Since the recent introduction of the Food and Drugs Safety Act, the UK now also applies higher standards.

II.3 Product liability

The uniform EC market will also be affected by new rules on product liability. A regulation adopted in 1988 allows consumers to to sue either producers or traders for harm (exceeding 500 ECU) caused by defective products. If a product comes from outside the EC, the importer can be sued. This regulation allows individual EC member states to exempt from liability the farmers who delivered the raw materials. This clause has so far been introduced in Germany, the UK and Greece and is being considered by Spain and Portugal.

II.4 Tax harmonization

Harmonizing tax is one of most politically sensitive subjects in developing the integrated EC market. Two taxes are under discussion:

Excise duty
This applies to luxury goods in many EC countries. Appendix 6 presents an overview of current excise duties imposed on coffee in several European countries.
The EC has put forward a proposal on excise duties, saying that duties on alcohol, tobacco and mineral oil products should be maintained. According to the proposal, taxes on other products may remain, but should not be applied to imported products. However, this would distort competition to the detriment of national producers. It is therefore unlikely this proposal will be passed and probable that excise duties for other products will stay in place. Fierce political debate is expected around these proposals.

VAT

VAT rates for coffee differ substantially from country to country. The table below shows this:

Denmark	22%	Germany	7%
Netherlands	6%	UK	0%
Italy	2%	France	5·5%
Belgium	6%	Austria	10%
Portugal	8%		

A compromise was recently agreed under which a minimum rate of 5% will be charged for essential goods and 15% for all others. Imported products will fall under the same excise and VAT charges.

As we will see in Chapter III, part of the EC proposal to be presented before GATT on tropical products is a 50% reduction on excise duties for coffee, tea and cocoa over a five year period.

CHAPTER III: OUTCOME OF THE GATT URUGUAY ROUND

Introduction

The GATT system was established in 1947 by 24 Western countries and now has a membership of 105 countries. GATT's aim is to liberalize world trade, a process involving the abolition of import barriers such as tariffs and quotas. Since the establishment of the GATT system there have been several rounds of international trade negotiations. The most recent round, the so-called Uruguay Round, started in 1987. The Uruguay Round has been prolonged various times as a result of conflicts between GATT members.

Coffee is included in the negotiation group on tropical products. As part of the mid-term review of the Uruguay Round in December 1988, the EC made an offer to reduce tariffs one some tropical products. The offer for coffee is given in Table 3.
As we can see, the EC has reduced its autonomous duties below the conventional ones. Autonomous duties are applied only if they are lower than the so-called 'conventional' ones, agreed to during negotiations such as GATT talks.
This mid-term review offer of the EC became valid in the European Community in June 1989.

In 1990 the EC made a final proposal to reduce tariffs on tropical products. The EC final proposals for coffee are also given in Table 3. Broadly speaking, the implications of this proposal are that tariffs will be reduced to slightly under under present GSP levels for imports from developing countries.
Nevertheless, the EC's final offer still means that relatively high barriers for imported processed coffee will be maintained, for developing countries as well.
Another element of the EC offer is the progressive reduction of selective excise taxes on coffee, tea and cocoa by 50% over the next five years.
No high tariffs for imported green coffee exist. This is logical as this is the raw material that Europe's coffee processing industry depends on. The problem for supplier countries, however, is the wildly fluctuating price for green coffee on the world market (see Chapter I).

International commodity agreements like the ICA are not part of the Uruguay talks because they do not fall under the mandate of the General Agreement on Tariffs and Trade. International commodity agreements fall under the jurisdiction of the United Nations Conference on Trade and Development (UNCTAD). GATT has gained influence to the detriment of UNCTAD over international trade and development issues.

The creation of a new International Trade Organization (ITO) is currently under discussion. The ITO would take over both GATT's and UNCTAD's present functions. It would make the negotiation of new international commodity agreements possible, or make possible the reinforcement of existing agreements to help stabilize world market prices. Industry in the developed countries - both the trading and processing sides of it - fiercely oppose this. They fear that commodity agreements will lead to over-supply destabilizing the world market. On the other hand industry in Europe is showing some concern about the long-term availability (sufficient quantities and quality) of coffee from producer countries because world market prices are so low at the moment.
The industry will probably agree to an ICA price stabilization mechanism provided that it does not disturb the market's current supply and demand patterns.

CHAPTER IV: CONSEQUENCES OF DEVELOPMENTS IN EASTERN EUROPE

Introduction

Since 1989, Eastern European countries have been trying to transform their centrally planned economies into free market economies. This is an enormous effort which has caused a lot of problems in the countries concerned. Since the beginning of the political and economic reforms in Eastern Europe the EC has gradually modified its co-operation policy towards these countries. This raises the question as to whether these changing economic relations between Eastern and Western Europe will have important implications for exports to Europe from developing countries. There is no simple answer to this question because new developments are still emerging in Eastern Europe.

Until recently (former) East Germany consumed about 1 million bags of green coffee per year, and the USSR about the same quantity. Consumption in the USSR was mainly in the Baltic states and the Ukraine; the national drink in the USSR is tea. Hungary took 700000 bags, Poland 500000, Czechoslovakia 540000, Romania 250000, and Bulgaria 100000 bags. The main suppliers were India, Angola and, to a lesser extent, Ethiopia. Green coffee was generally bartered with Eastern Europe for other products. Quality was generally low. Western European coffee was imported in small quantities from Germany and Austria by consumers.

With dramatic change taking place in Eastern Europe, it is expected that coffee consumption will grow considerably there over the next decade. The rate of consumption depends, of course, on the speed of economic recovery and the rate at which living standards rise.

The (former) East German market will grow very rapidly because of its rapid integration with West Germany's market. East Germany's market for roasted coffee grew by 6% in 1990 to 67000 tons. In 1991 this is expected to grow by 20%. Prices have dropped considerably, further fuelling consumption. It is expected that the East European market will be supplied by national roasters, as in Western Europe, and not by importers. This does not mean, however, that existing roasters will survive as independents. Given the concentration of the roasting industry in Western Europe it is only logical that the big European roasters will expend into Eastern Europe by means of joint ventures or takeovers.

CHAPTER V: CONCLUSIONS AND RECOMMENDATIONS

The European coffee market is, as are many other parts of the food industry, highly saturated. Only specialized segments like decaffeinated coffee, biologically grown coffee and specialist coffees show any growth. The European market is still highly fragmented by consumer habits and preferences. The concentration of roasting and distribution is high, with only some small market niches for small roasters and specialist coffee shops remaining.
The growing concentration in both the processing and distribution of coffee in the EC has important implications for suppliers from developing countries.

The import and wholesale structures for green coffee are becoming increasingly dominated by the big retailers or roasters, on whom suppliers are becoming more and more dependent. There is a strong concentration of roasters in all EC markets. Five companies dominate the market. For the decreasing number of smaller roasters, outlets are limited.
There is some room in the market for high quality, special flavour coffees which offer 'something extra'. This is true for both traditional roasters or those supplying the supermarkets. Special coffees are always interesting because roasters continually come up with new blends and mixtures to satisfy consumer tastes. These coffees can be sold at much higher prices than low quality coffees.

For suppliers from developing countries it is extremely difficult to market roasted and instant coffees in Europe even if they are exempted from import duties. The marketing of processed coffee in Europe is only possible with heavy marketing support from import agencies willing to put considerable effort into various segments of the market. Segments which offer the most hope are the smaller grocery and specialist coffee shops. The marketing of processed coffee is difficult not only because of concentration in the European market but because of the special blendings required. It seems the only solution for producers from the developing world is to offer pure 'national' brands not blended with coffees from elsewhere.
The integration of the European market will not have large and direct effects on the sector as it is already organized on a European scale. There are, however, some important consequences for the marketing of processed coffee.
Product and producer standards will become extremely important as a factor in

competition between suppliers on the European market in the 1990s. Suppliers from developing countries, therefore, should follow developments in the EC closely so as to develop strategies, products and processing standard programmes. The importance of adhering to EC standard will increase for suppliers from developing countries.

No trader in the Community will accept products which do not comply with EC standards. With consumers becoming more and more critical on health and safety, it is advisable for suppliers from developing countries to apply strict health and safety standards to their products and to develop products which contain as few artificial additives, conservatives, etc, as possible. Biologically grown products are also becoming increasingly popular with the public. Here again it is vital that products meet EC standards.
Producers from developing countries will have to press their authorities to establish supervising agencies which can certify products the EC will accept.

The standardization of EC laws on food products is well on its way, but it will still be some time before this process is completed. In the meantime national regulations will continue to vary. This means that foreign suppliers risk their products being accepted in some EC states but not in others. They are therefore advised to apply the strictest standards presently in force within the EC, as this will guarantee their products being accepted throughout the Community.
Germany and the Netherlands are known to have very high standards for food products. The UK now also has high standards with the recent introduction of its Food and Drugs Safety Act.

The GATT negotiations will probably lead to a significant reduction of EC import duties on both green and processed coffee. Nevertheless, import duties on processed coffee from most developing countries will remain high compared to the import duties levied on industrial products. At the same time we have to conclude that even if there was no import duty at all, this would not lead directly to a substantial rise in imports of processed coffee from developing countries. This is because of the high level of concentration in both processing and distribution on the European market, the specialized knowledge required of the market, and the diversity of consumer tastes, which make the right blending very important.

In Eastern Europe it is expected that coffee consumption will grow considerably over the next decade. Growth in consumption will depend largely on the rate of economic recovery there and a rise in the standard of living. Former East Germany, in particular, will see its market grow rapidly because of its integration with the rest of Germany.

APPENDIX 1: Short survey of major European coffee markets

FRANCE

France's coffee market continues to be stable while showing no dynamism. It is growing at less than 1% per year. Four major companies control more than 90% of the retail market for roasted coffee. In order of importance these are Jacob-Suchard (Grand Mere and Jacques Vabre), Douwe Egberts (Maison du Cafe), Leporq, and Vadour. The market is split up as follows: 73% in domestic consumption and 27% in non-domestic. 75% of the market is roasted coffee and 25% instant. 85% of roasted coffee is ground, 37·5% is to be found in pure (100%) Arabica products, 53·8% in blends, and 8·7% in decaffeinated.

Jacob-Suchard holds 43·5% of the retail market for roasted coffee, 49% of the market for decaffeinated coffee, 53% of the Arabica market, and 35% of the blends market. Instant coffee sales are dominated by Nestlé with 67·2% of the market.

GERMANY

The market for coffee in Germany continues to grow.

<u>Total volume: (in 1000 tons green coffee equivalent)</u>

1986	1987	1988	1989
457	483	490	496

At least half of the increased consumption is attributable to growth in the Eeast German market. Preliminary attempts have been made to introduce organic coffee to the broader public. The high growth rates shown by decaffeinated and mild coffees are due to health concerns among the public. These now account for 12% to 16% of the market.

The market share for instant coffee has stabilised following several years of decline. Household consumption consists of between 75% and 80% of its total share.

ITALY

Italian market growth continues to proceed at a consistent, but low, rate. The real area of growth is southern Italy where decaffeinated coffee is growing in share by 20% annually Domestic consumption continues to represent 25% of the total market. Instant coffees have a very small market share. 52% of coffee is Arabica and 48% Robusta.

Italy still has a very high number of independent roasters. Nevertheless, market concentration is increasing in Italy - about 69% of the market is controlled by only five companies.

THE UK

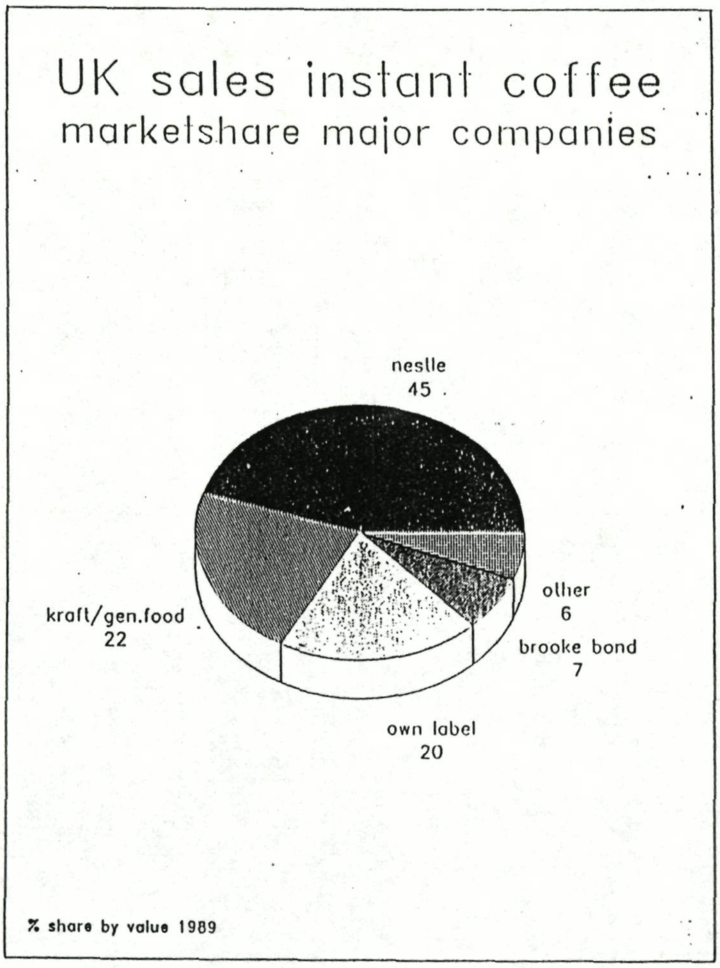
The UK market is 77% instant coffee and just 23% ground coffee.

Instant coffee

The market for instant coffee has stagnated in recent years at around 38000 tons.
The growth area is premium quality instant coffee. Freeze dried and granulated coffees have grown at the expense of cheaper powdered coffee.
Nestlé leads the market in instant coffee at 45%, followed by Kraft General Foods, and in third place the smaller name brands at 20% (see chart).
Instant coffee is mainly sold through retail multiples (60%). The rest of the market is divided between the independents (12%), co-operatives (8%) and others (20%).

Ground coffee

Consumption of ground coffee is growing in the UK.
Consumer preferences are shifting towards higher quality Arabica coffees, premium coffees and highly flavoured and specialist coffees.
13% of ground coffee is decaffeinated. Kraft General Foods leads the market with a 23% share. Other roasters include Douwe Egberts (11%), Lyons (15%), and Melitta (12%).
Retail chains account for 55% of ground coffee sales, grocery shops 35%, and specialist shops 5%.



APPENDIX 2

Characteristics of the coffee market in selected European countries

Coffee by user category:

	Austria	Germany	France	Netherlands
domestic	66%	75%	73%	70%
others	33%	25%	27%	30%

Coffee by distribution channel, 1989:

	France	Italy	UK
supermarkets	88%	42%	60%
self-service	n.a.	27%	8%
grocery shops	9%	7%	12%
specialist shops	5%	n.a.	n.a.
others	n.a.	24%	20%

Coffee by type:

	Austria	France	Netherlands	Switzerland	UK
ground	75%	85%	97%	41%	93%
beans	25%	15%	3%	49%	7%
decaffeinated	15%	9%	6%	10%	n.a.
Instant	5%	25%	2%	n.a.	77%

APPENDIX 3: Imports of green coffee into European countries from 1987 to 1990

IMPORTS OF GREEN COFFEE INTO EUROPEAN COUNTRIES FROM 1987 TO 1990**
(in tons and in bags of 60 kilos)

Importing countries	1987 in t	1987 in bags	1988 in t	1988 in bags	1989 in t	1989 in bags	1990 in t	1990 in bags
Austria	58,646	977,427	67,929	1,132,148	86,534	1,442,237	99,431	1,657,185
Belgium-Luxembourg	88,668	1,477,983	95,718	1,595,300	76,953	1,282,555	77,786	1,296,427
Denmark	50,844	847,404	50,019	833,650	55,065	917,754	50,570	842,825
F.R. of Germany	487,026	8,117,101	492,399	8,206,651	500,238	8,337,292	580,743	9,679,053
Finland	74,275	1,237,917	57,621	944,612	63,409	1,056,810	64,487	1,074,783
France	297,020	4,950,333	303,001	5,050,22	304,068	5,067,797	312,933	5,215,550
Greece	21,361	356,017	22,734	378,900	22,410	373,500	24,000	400,000
Ireland	756	12,600	858	14,300	924	15,400	942*)	15,700*)
Italy	263,318	4,388,626	259,401	4,323,344	270,565	4,509,417	307,930	5,132,163
Netherlands	155,465	2,591,087	150,731	2,512,182	137,895	2,298,246	151,529	2,525,483
Norway	39,363	656,044	36,720	611,992	39,396	656,596	39,894	664,900
Portugal	27,420	457,000	25,190	419,828	25,681	428,017	29,730	495,500
Spain	147,198	2,453,300	148,966	2,482,767	158,110	2,635,167	175,326	2,922,100
Sweden	94,403	1,573,383	89,409	1,490,150	88,610	1,476,833	98,076	1,634,601
Switzerland	73,480	1,224,667	62,075	1,034,581	61,166	1,019,433	64,972	1,082,867
United Kingdom	106,265	1,771,081	102,327	1,705,450	97,180	1,619,660	108,609	1,810,156
Others*)	3,000	50,000	3,000	50,000	3,000	50,000	3,000	50,000
Western Europe	**1,988,508**	**33,141,970**	**1,968,098**	**32,801,633**	**1,991,204**	**33,186,714**	**2,189,958**	**36,499,293**
Bulgaria	5,802	96,700	11,124	185,400	9,507	158,450	n.a.	n.a.
Czechoslovakia	32,704	545,067	34,375	572,917	35,175	586,250	n.a.	n.a.
GDR (East Germany)***)	74,635	1,243,917	74,880	1,248,000	73,641	1,227,350	–	–
Hungary	34,355	572,583	27,503	458,383	26,156	435.933	28,000	466,667
Poland	28,401	473,350	33,438	557,300	43,624	727,067	n.a.	n.a.
Romania	12,100	201,667	8,000	133,333	29,000*)	483,333*)	n.a.	n.a.
Soviet Union	57,870	964,500	49,478	824,633	112,877	1,881,283	65,800	1,096,667
Yugoslavia	58,950	982,500	49,566	826,100	55,788	929,800	n.a.	n.a.
Eastern Europe	**304,817**	**5,080,284**	**288,364**	**4,806,066**	**385,768**	**6,429,466**	**250,000*)**	**4,166,667*)**
Total Europe	**2,293,325**	**38,222,254**	**2,256,462**	**37,607,699**	**2,376,972**	**39,616,180**	**2,439,958**	**40,665,960**

*) Estimated **) Figures show imports of green coffee, not-decaffeinated, but some countries do not distinguish between decaffeinated and not-decaffeinated green coffee

***) Since 1990 included in F.R. of Germany figures

Source: External Trade Statistics

Austria: Imports of green not-decaffeinated coffee
– in bags of 60 kilos –

Countries of origin	1989	1990
Brazil	462,985	324,490
Indonesia	71,910	210,243
Vietnam	38,092	179,285
Colombia	89,792	150,633
Zaire	36,920	93,835
Honduras	31,122	88,507
Cameroon	19,738	67,355
Bolivia	27,153	61,857
India	34,850	49,235
Guatemala	50,295	47,818
Paraguay	39,610	37,408
Costa Rica	57,000	34,067
Madagascar	55,555	32,338
Mexico	27,940	32,118
Cote d'Ivoire	29,635	30,818
El Salvador	30,880	30,147
Papua New Guinea	24,827	28,855
Ecuador	62,172	26,537
Peru	15,758	26,297
Others	236,003	105,342
Total	1,442,237	1,657,185

Denmark: Imports of green coffee
– in bags of 60 kilos –

Countries of origin	1989	1990
Brazil	414,910	386,497
Colombia	144,122	180,035
Indonesia	97,274	95,233
Uganda	32,545	28,772
Paraguay	22,234	26,250
Tanzania	17,078	23,090
Kenya	13,538	17,667
El Salvador	6,015	16,378
Rwanda	10,393	15,005
China	1,013	10,023
Zaire	9,517	6,552
Trinidad	2,553	5,232
Costa Rica	20,087	4,901
Guatemala	17,279	4,828
Burundi	4,102	3,000
Mexico	1,911	2,322
Peru	960	2,261
Cameroon	4,743	2,163
Ethiopia	3,441	1,726
Others	94,039	10,892
Total	917,754	842,825

Belgium-Luxembourg: Imports of not-decaffeinated green coffee
– in bags of 60 kilos –

Countries of origin	1989	1990
Brazil	226,623	269,157
Colombia	121,930	135,668
Uganda	81,950	81,619
Cameroon	29,648	71,462
Kenya	122,040	59,182
Indonesia	24,373	46,925
Madagascar	29,850	45,803
Guatemala	32,348	43,716
Zaire	21,177	39,829
Honduras	28,678	32,199
Cote d'Ivoire	43,533	27,657
Haiti	43,908	25,863
Rwanda/Burundi	49,697	24,193
Ethiopia	24,172	23,390
Costa Rica	15,423	22,635
Tanzania	17,177	17,237
Singapore	3,587	16,850
El Salvador	13,618	15,028
Nicaragua	7,707	11,218
Papua New Guinea	1,558	11,218
Togo	6,405	9,406
Mexico	6,415	7,000
India	9,468	6,713
USA	1,400	3,975
Peru	288	2,998
Central African Rep.	5,978	1,191
Dominican Rep.	85	150
Malaysia	750	–
EC	264,988	187,377
Various and unspecified	57,781	56,768
Total	1,282,555	1,296,427

FRG: Net imports of not-decaffeinated green coffee
– in bags of 60 kilos –

Countries of origin	1989	1990
Colombia	2,600,293	3.355,916
Brazil	1,071,825	994,003
El Salvador	415,565	699,701
Indonesia	370,418	590,499
Kenya	469,400	514,590
Papua New Guinea	372,593	434,574
Tanzania	300,768	376,036
Costa Rica	301,896	277,943
Ethiopia	365,576	277,378
Guatemala	280,945	232,834
Cameroon	200,854	226,666
France	124,344	218,147
Rwanda	165,134	190,919
Nicaragua	218,008	188,299
Burundi	174,730	160,862
Honduras	73,585	147,678
Zaire	79,433	141,863
Peru	49,977	85,678
Mexico	113,598	72,825
Ecuador	64,418	72,184
Uganda	99,954	64,779
Malawi	17,438	55,530
India	71,426	48,761
Zimbabwe	34,945	43,864
Côte d'Ivoire	34,897	42,910
Guinea	46,353	40,939
Thailand	14,118	22,866
Venezuela	20,174	15,252
Panama	17,830	13,316
Others	166,797	72,241
Total	8,337,292	9,679,053

France: Imports of not-decaffeinated green coffee
– in bags of 60 kilos –

Countries of origin	1989	1990
Brazil	1,029,147	930,067
Cote d'Ivoire	812,000	599,250
Colombia	332,422	515,850
Zaire	250,080	422,917
Indonesia	255,453	406,517
Madagascar	378,702	381,667
Cameroon	221,693	369,600
Uganda	350,952	333,833
Sri Lanka	17,700	159,000
Costa Rica	127,638	124,867
Ethiopia	128,235	117,883
Mexico	85,508	91,600
Central African Rep.	126,122	90,617
Burundi	71,370	72,517
Guatemala	63,170	69,383
El Salvador	35,383	61,050
Nicaragua	39,883	46,333
Tanzania	43,830	38,167
Kenya	52,753	36,350
Others	645,756	348,082
Total	5,067,797	5,215,550

Italy: Imports of not-decaffeinated green coffee
– in bags of 60 kilos –

Countries of origin	1989	1990
Brazil	1,203,707	1,404,097
Zaire	634,478	945,871
Cote d'Ivoire	710,394	623,969
Cameroon	314,961	347,555
Colombia	186,846	279,293
Indonesia	151,137	208,017
Costa Rica	118,277	188,752
Guatemala	135,076	153,259
India	127,669	140,623
Honduras	77,878	118,076
Uganda	97,721	110,226
Haiti	101,980	75,207
Tanzania	64,764	67,699
Kenya	52,000	53,642
Central African Rep.	81,847	53,395
Ethiopia	46,185	52,812
Togo	61,699	39,989
Mexico	44,306	36,083
Dominican Rep.	28,354	35,419
Madagascar	43,973	22,363
Ecuador	15,438	14,988
El Salvador	6,484	14,925
Peru	16,120	14,671
Nicaragua	13,756	10,434
Burundi	4,242	–
Others	172,155	120,798
Total	4,509,417	5,132,163

The Netherlands: Imports of not-decaffeinated green coffee
– in bags of 60 kilos –

Countries of origin	1989	1990
Colombia	513,179	680,667
Uganda	389,734	472,590
Brazil	421,063	431,565
El Salvador	31,539	110,945
Kenya	91,558	85,454
Cameroon	67,215	80,212
Guatemala	46,919	75,269
Indonesia	52,492	71,078
Costa Rica	55,258	69,817
Rwanda	34,197	63,338
Tanzania	61,215	57,293
Ivory Coast	66,123	46,098
Togo	53,255	34,854
Vietnam	–	32,175
Mexico	15,601	23,874
Burundi	11,429	21,631
Nicaragua	26,469	20,230
Zaire	17,721	20,112
Sierra Leone	17,249	18,531
Honduras	11,053	12,394
Madagascar	13,820	9,810
Others	301,158	87,540
Total	2,298,246	2,525,476

Source: CBS

Spain: Imports of green coffee
– in bags of 60 kilos –

Countries of origin	1989	1990
Brazil	730,100	726,900
Colombia	398,900	399,067
Cameroon	184,100	361,250
Uganda	280,900	306,450
Indonesia	95,000	148,933
Zaire	56,900	146,000
Cote d'Ivoire	266,200	131,267
Paraguay	137,900	82,583
Nicaragua	56,900	78,667
Honduras	19,600	55,433
Costa Rica	25,800	54,350
Vietnam	46,400	47,983
El Salvador	24,600	42,967
Madagascar	72,100	35,017
Kenya	19,000	34,683
Peru	37,700	27,633
Dominican Republic	42,400	25,783
Angola	54,100	25,433
Cuba	57,000	24,900
Others	29,567	166,801
Total	2,635,167	2,922,100

20

Norway: Imports of green coffee
– in bags of 60 kilos –

Countries of origin	1989	1990
Brazil	376,609	348,800
Colombia	152,692	215,700
Kenya	15,443	20,300
Costa Rica	9,383	17,300
Guatemala	28,381	15,700
India	16,923	14,800
Indonesia	6,683	14,100
Tanzania	8,583	4,000
Mexico	21,741	3,400
Panama	1,150	1,800
Zimbabwe	–	1,800
Vietnam	–	1,700
Honduras	1,150	1,300
Peru	–	900
Others	17,858	3,300
Total	656,596	664,900

Switzerland: Imports of not-decaffeinated green coffee
– in bags of 60 kilos –

Countries of origin	1989	1990
Brazil	203,275	242,739
Colombia	106,976	142,683
Costa Rica	86,322	97,157
Guatemala	87,901	80,825
Honduras	76,700	77,986
Kenya	60,281	68,789
Indonesia	31,090	57,220
Mexico	48,042	49,570
India	45,076	43,566
Togo	39,310	38,099
Nicaragua	42,318	24,355
Cameroon	25,011	23,892
Peru	12,383	18,137
Zimbabwe	23,595	16,225
Ethiopia	14,013	13,578
Uganda	3,874	10,269
Central African Rep.	8,251	10,236
Burundi	4,325	7,155
Ecuador	8,840	6,626
Others	91,850	53,760
Total	1,019,433	1,082,867

France: Percentage distribution of not-decaffeinated green coffee imports by types of coffee

Types of coffee	1987	1988	1989
Arabicas	43	45	47
Colombian Milds	10	8	9
Other Milds	12	14	14
Brazilian and Other Arabicas	21	23	24
Robustas	55	54	53
Others	2	1	–

FRG: Percentage distribution of not-decaffeinated green coffee net imports by types of coffee

Types of coffee	1987	1988	1989
Arabicas	92	89	86
Colombian Milds	52	39	40
Other Milds	28	32	29
Brazilian and Other Arabicas	12	18	17
Robustas	8	10	11
Others	—	1	3

The Netherlands: Percentage distribution of not-decaffeinated green coffee imports by types of coffee

Types of coffee	1987	1988	1989
Arabicas	75	68	62
Colombian Milds	40	21	29
Other Milds	18	19	12
Brazilian and Other Arabicas	17	28	21
Robustas	23	27	27
Others	2	5	6

Italy: Percentage distribution of not-decaffeinated green coffee imports by types of coffee

Countries of origin	1986	1987	1988	1989
Arabicas	47	51	52	52
Colombian Milds	8	8	7	7
Other Milds	15	14	15	16
Brazilian and Other Arabicas	24	29	30	29
Robustas	53	49	48	48

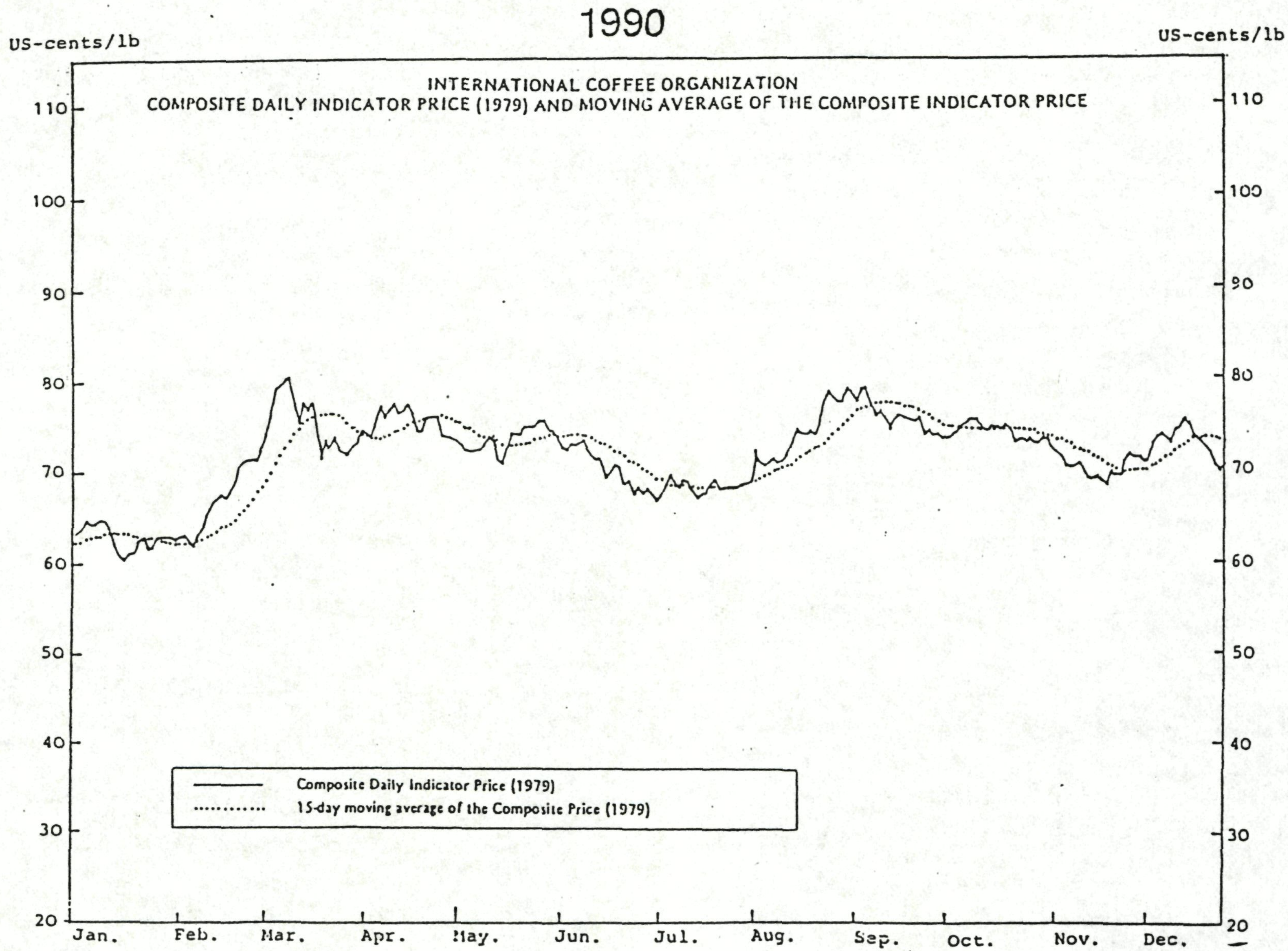
Norway: Percentage distribution of green coffee imports by types of coffee

Types of coffee	1987	1988	1989
Arabicas	98	97	96
Colombian Milds	30	28	27
Other Milds	18	12	12
Brazilian and Other Arabicas	50	57	57
Robustas	1	2	2
Others	1	1	2

Switzerland: Percentage distribution of not-decaffeinated green coffee imports by types of coffee

Types of coffee	1987	1988	1989
Arabicas	84	81	84
Colombian Milds	20	20	16
Other Milds	40	41	47
Brazilian and Other Arabicas	24	20	21
Robustas	14	17	14
Others	2	2	2

APPENDIX 4: Composite daily indicator price and moving average for 1990



APPENDIX 5: National specifications for roast coffee

	Moisture content(%)	Water extract(%)	Impurities	Ash-content (%)	Cl-content of ash(%)	Glazing agents (%)	Caffeine	
Benelux	Beans <5% Ground <8%	>22,0	<1,0	<6,0	<1,0(Cl)	<1,0 <3,0(sugar roasted)	<0,1 Decaf	
France Draft 12/11/87	<5%		<0,2 (stones, etc.)	<6,0			<0,1 Decaf	Roasting temperature to prevent carbonization Rules "coffee" drink (only from roast) café express preparation café special > 50 g/l
Spain natural green torrefacto 1)	<5% <12% <5%	20 to 30% 25 to 35%	<0,5 <0,5 <0,5	<6,0 <8,0 <5,5			>0,7 >0,7 >0,6 <0,12 Decaf	Granos carbonizados <5% Cu/Pb <5ppm Zn <10ppm (in extract) Granos carbonizados <5%
Germany	<5%		<0,2 If >0,2 "Ausschuss kaffee"			<0,3 Bees &Carnauba Wax & Shellac	<0,1 Decaf	Additives not permitted
United Kingdom 2)							<0,1 Decaf	Raw material must be sound, wholesome and in marketable condition. French, Viennese & Dandelion coffee.
Denmark	No specific coffee rules							
Portugal	<8%	20 to 30%		<6,0			<0,09 green <0,10 roasted	

1) Spanish café torrefacto: roasted coffee beans to which max. 15% glucose or saccharose has been added before the roasting process has been completed.

2) UK. - French coffee (roasted coffee and chicory; >51% coffee)
- Viennese coffee (roasted coffee and figs ; >51% coffee)
- Dandelion coffee (wholly roasted dandelion root)

7 November 1988

APPENDIX 6

Excise duties on coffee in selected European countries

Germany

green coffee	3·60 DM/kg
green coffee decaffeinated	3·80 DM/kg
roasted coffee	4·30 DM/kg
roasted coffee decaffeinated	4·55 DM/kg
instant coffee	9·35 DM/kg
instant decaffeinated	9·90 DM/kg

Italy

green coffee	205 lire/kg
green coffee decaffeinated	215 lire/kg
roasted coffee	256 lire/kg
roasted coffee decaffeinated	269 lire/kg
instant coffee	615 lire/kg

Switzerland

Import rates & other national taxes (Swiss Francs per 100 kg gross)

	Customs duties			Contributions	
Coffee type	Normal tariff	Dev. countries tariff	LDC tariff	compulsory stocks	promotion campaigns
Green	44	44	25	38	2
Green decaf.	76	55	31·50	38	2
Roasted	90	55	31·50	45·60	2·40
Roasted decaf.	90	55	31·50	45·60	2·40
Instant	260	150	150	120·90	6·40

Belgium

Roasted coffee	10 BFR/kilo

APPENDIX 7: ICA reference prices for Robusta and other milds

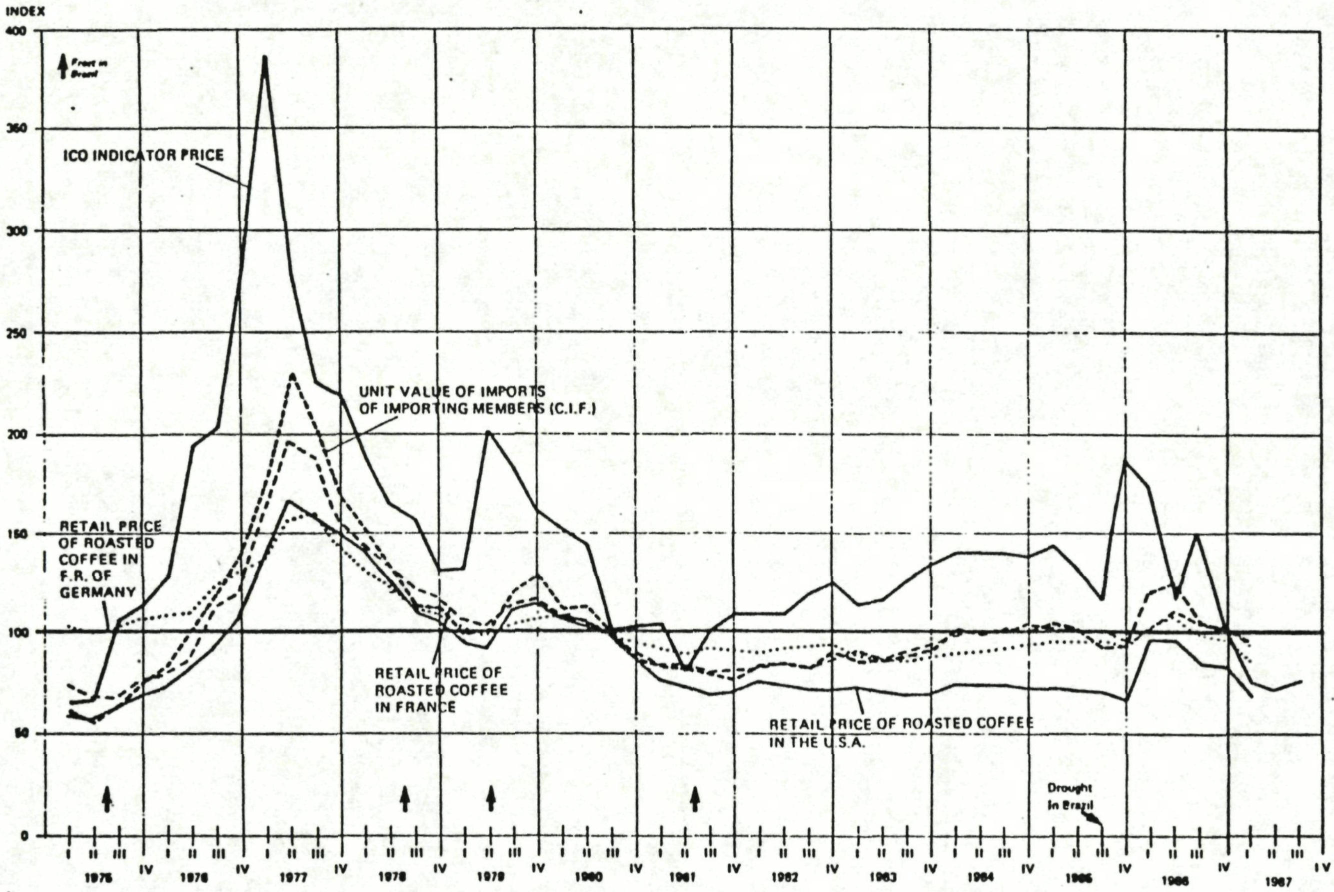
APPENDIX 8: Coffee retail price indexes in the USA, France and Germany, 1975-1987

INDEX OF THE RETAIL PRICES OF ROASTED COFFEE IN THE UNITED STATES OF AMERICA, FRANCE AND THE F.R. OF GERMANY COMPARED TO THE INDEX OF THE ICO INDICATOR PRICE AND UNIT VALUE OF IMPORTS IN CONSTANT 1980 TERMS

1975 TO 1987

(INDICATOR PRICES ON THE LAST THURSDAY, RETAIL PRICES AND UNIT VALUES IN THE LAST MONTH OF EACH QUARTER)

(Base: September 1980 = 100)



APPENDIX 9: List of CECA and EUCA member associations

C.E.C.A. (Committee of the European Coffee Associations)

Belgium
Union Professionnelle du Commerce
Anversois d'Importation du Café
UPCAIC
Markgravestraat 12
2000 Antwerpen
Telephone: 3/232 22 19/20
Telex: 71536
Telefax: 3/2 16 40 95

Federal Republic of Germany
Deutscher Kaffee-Verband e. V.
Pickhuben 3
2000 Hamburg 11
Telephone: 40/36 62 56/57
Telex: 212895
Telefax: 40/36 54 14

France
Union Syndicale du Commerce International du Café – Le Havre USCIC
134, Boulevard de Strasbourg
B. P. 276
76055 Le Havre Cedex
Telephone: 35 42 10 27
Telex: 190231
Telefax: 35 22 05 40

Syndicat des Courtiers Assermentes du Havre
B. P. 537
76600 Le Havre

Syndicat du Commerce des Cafés Verts, Cacaos, Poivres et Vanilles de Bordeaux
16/18 Rue Edmond Besse
B. P. 50
33083 Bordeaux Cedex
Telex: 560708

Association Française du Négoce International du Café AFNIC Paris
43, Rue de Provence
75009 Paris
Telephone: 1/40 23 06 89
Telex: 282543
Telefax: 1/40 28 47 05

Syndicat du Commerce des Cafés Verts et Torréfiés du Nord et de l'Est
13, Rue de Condé
B. P. 93
59110 La Madeleine lez Lille

Syndicat du Commerce des Cafés Verts de Marseille
14, Rue Fortia
B. P. 1878
13222 Marseille Cedex 01

M. J. Rault, F.N.C.C.V
3, Rue de Copenhague
75008 Paris
Telex: 660187

Greece
Panhellenic Coffee Importers Association
205 Maizonos Street
26 222 Patras
Telex: 219659

Italy
Associazione degli Agenti e Rappresentanti di Caffè, Droghe e Coloniali – ANAGENTI
Piazza G.G. Belli, 2
00153 Roma
Telex: 624522

Associazione Commercio Caffè, Droghe e Coloniali ASSOCAF
Via S. Luca 4/19 A
16124 Genova
Telefax: 10/20 74 68

Associazione Caffè Trieste
Via S. Nicolò 7
34121 Trieste
Telephone: 40/36 85 32
Telex: 460076
Telefax: 40/36 29 56

Comitato Italiano Caffè
Via Luigi Masi 7
00153 Roma
Telephone: 6/5 81 71 62
Telex: 624522
Telefax: 6/5 81 06 15

Netherlands
Koninklijke Nederlandse Vereniging voor de Koffiehandel
Tourniairestraat 3, 1065 KK Amsterdam
P. O. Box 90445, 1006 BK Amsterdam
Telephone: 20/17 08 14
Telex: 18765
Telefax: 20/15 75 09

Spain
ANCAFE – Agrupacion Española del Café
P. De La Castellana, 10
28046 Madrid
Telephone: (34 1) 250 68 24
Telex: 43415

Switzerland
Schweizerische Kaffeehändler Vereinigung
P.O. Box 41
6210 Sursee
Telephone: 45/21 16 12
Telefax: 45/21 69 61

United Kingdom
The Coffee Trade Federation Ltd.
146a, High Street
Tonbridge,
Kent TN9 1BB
Telephone: 732/77 03 32
Telex: 957727
Telefax: 732/77 03 62

EUCA (European Federation of Coffee Roasters' Associations)

Austria
Verband der Kaffeeröstindustrie
Zaunergasse 1 - 3
Postfach 144
A-1037 Vienna
Telephone: (43 222) 72 21 21
Telex: 047 131247 nahrun a
Telefax: (43 222) 48 78 11

Belgium
Union des Torréfacteurs de Café
172, Kortenberglaan
1040 Brussels
Telephone: (32 2) 735 81 70
Telex: 046 26246 sia b
Telefax: (32 2) 736 81 75

Denmark
Foreningen af Danske Kaffebraenderier
Bredgade 73
1260 Copenhagen K
Telephone: (45 33) 13 22 99
Telefax: (45 33) 32 20 05

Federal Republic of Germany
Deutscher Kaffee-Verband e. V.
Pickhuben 3
2000 Hamburg 11
Telephone: (49 40) 36 62 56/7
Telex: 041 212895 dckaf d
Telefax: (49 40) 36 54 14

France
Syndicat National de l'Industrie et du Commerce du Café
17, rue de Constantinople
75008 Paris
Telephone: (33 1) 42 93 61 70
Telefax: (33 1) 40 08 00 61

Greece
Panhellenic Association of Coffee Roasters
c/o Loumidis S. A.
P. O. Box 176
Athens
Telephone: (30 1) 574 63 01-9
Telex: 0601 216368 loum gr
Telefax: (30 1) 591 23 70

Ireland
Mr. T. McCabe
The Coffee Industry Association of Ireland
Confederation House
Kildare Street 13
Dublin 2
Telephone: (353 1) 77 98 01
Telex: 93502
Telefax: (353 1) 77 78 23

Italy
Associazione Italiana Industriali Prodotti Alimentari 'Gruppo Caffè'
Corso di Porta Nuova, 34
20121 Milano
Telephone: (39 2) 79 66 45/79 66 20
Telex: 043 330881 aiipa i
Telefax: (39 2) 78 37 74

Associazione Nazionale Torrefattori Caffè
Via Luigi Masi, 7
00153 Roma
Telephone: (39 6) 581 71 62
Telex: 043 624522 caffe i
Telefax: (39 6) 514 14 23

Netherlands
Vereniging van Nederlandse Koffiebranders en Theepakkers
Tourniairestraat 3
P. O. Box 90445, 1006 BK Amsterdam
Telephone: (31 20) ~~17 08 14~~/6 17 08 14
Telex: 18765 vries nl
Telefax: (31 20) ~~15 75 09~~/6 15 75 09

Spain
Asociación Española de Torrefactores de Café
c/Gral. Alvarez de Castro no. 20-1°
28010 Madrid
Telephone: (34 1) 448 82 12/448 82 16
Telefax: (34 1) 448 85 01

Portugal
Asociaçao Nacional dos Torrefactores
Rua Padre Francisco Alvares, 1,
1.° Dt.° - A
Lisbon - 4
Telephone: (351 1) 74 16 74
Telex: 0404 64126
(de l'Union des Banques Portugaises)
Telefax: (351 1) 78 33 73

Switzerland
Schweizerische Vereinigung der Kaffee-Importeure und -Röster SVK
Association Suisse des Importateurs et Torréfacteurs de Café ASI
Mr. D. Bothe
President of the SVK
44, chemin de Pierregrosse
1020 Renens/Vaud
Telephone: (41 21) 635 25 08
(41 77) 21 05 76

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The Coffee Trade Federation Ltd.
146a, High Street
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