

CBI MARKET SURVEY

THE HONEY AND SUGARS MARKET IN THE EU

Publication date: July, 2007

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Report summary

Consumption

Honey

The EU accounts for approximately 24% of the world's honey consumption. Between 2001 and 2005, EU consumption of honey increased by 1.5% annually. An important factor contributing to the growth of the market is the health trend. EU consumers have a strongly increased interest in a healthy life style and, consequently, in the consumption of health food. Honey fits in well with the natural health trend. It is a completely natural product with several health promoting properties. A threat to the reputation of honey as a natural health product, and subsequently, to the consumption of honey are the bans on honey imports. In recent years bans have been imposed on honey imports from countries which exported honey contaminated with prohibited substances, or which did not have an appropriate testing programme in place.

Increased concerns about the effects of intensive farming on the countryside and on the environment in general has also intensified interest in organic foods. Although environmental concerns are shared by a much smaller group of consumers, organic food products also profit from the general interest in natural products as they are perceived to be purely natural products.

Sugars

The EU consumes roughly 12% of the world's sugar. Momentarily, most of the sugar consumed in the EU is still beet sugar. However, the EU sugar regime reforms will most likely change this situation dramatically in coming years. The market share of cane sugar in the total sugar market will increase considerably.

The only notable threat to the sugar market in general is the trend towards more sugar-free products. However, even though sugar-free products are in higher demand, sugar substitutes themselves are also under pressure from the natural health trend, as most of these sweeteners are artificial as opposed to natural. Consumers perceive artificial products to be less safe for their health than natural products and are therefore turning away from artificial sweeteners as well.

In quantitative terms, EU consumption of sugar increased by 6% annually between 2002 and 2006.

Production

Honey

The EU is an important producer of honey in the world and growth of EU production was estimated at 2% annually between 2001 and 2005. A large part of this growth was realized in Eastern Europe, notably Hungary and Poland. The new member states Romania and Bulgaria also significantly increased their honey production. Due to the accession of these countries to the EU, the self-sufficiency rate of the EU increased from 54% to 61%.

Sugars

The EU sugar market was a highly protected market until recently. Nearly all demand for sugar was met by domestic production, which was protected from low-priced imports. Currently, the EU sugar sector is experiencing major changes, due to the EU sugar regime reform. The key elements in the reform are the price cuts for sugar produced in the EU. This will lead to considerable decreases in production of sugar in the EU, as many producers are not able to remain competitive with the lower prices. The change from beet sugar to cane sugar will not have further consequences for total sugar consumption. However, it will have a large impact on the origin of the sugar. At first sight, the EU sugar regime reform and the subsequent decline in EU sugar production seem to open up new opportunities for all developing country

producers. However, in the reformed EU sugar market, the major competitors to developing country exporters will not be EU producers. Instead, they will be the large scale exporters in the world's most competitive producer countries.

Trade channels

Honey

Bulk imports of honey reach consumers after packing by packers or processing by industrial users. Pre-packed honey is also sometimes imported, but seldom from developing countries. Importers usually combine the functions of importing honey into the EU with processing, blending and packing the honey.

Sugar

Traditionally, most raw cane sugar was imported by a small number of sugar trading companies. However, with decreasing sugar beet production in the EU, European refineries will increasingly focus on processing cane sugar. This will cause growing needs to import cane sugar. It is expected that an increasing number of refineries will obtain import licences and import the cane sugar themselves. This is also expected to affect imports of raw cane sugars, which are not for refining. Currently, the most important (conventional) traders of cane sugar are located in The United Kingdom. This is probably due to the historical ties between the UK and most developing country sugar exporters. After the complete implementation of the EU sugar regime reform, it is expected that only a limited number of very large refineries will come to dominate conventional sugar markets. This makes the conventional market less accessible and less attractive for developing country producers of raw cane sugar, as quantities traded will become increasingly large. However, it can be expected that refined cane sugar will also be increasingly imported.

Imports

Honey

The EU25 imported honey worth € 338 million in 2005. Developing countries together supply almost half of the EU25's total honey imports. In terms of value, imports fluctuated significantly between 2001 and 2005. However, this was due to large price increases as a result of the ban (because of impurities) on honey from China. According to the latest information, China's supplies to the EU are increasing again now that the ban has been lifted and trust is being restored. This will also lower prices.

Sugars

Imports of sugars, except those of molasses, are increasing. They are expected to increase particularly fast from 2008 onwards, when prices of imported sugar go down as a result of the EU sugar regime reform. Brazil is expected to become the principal supplier after reforms are fully implemented, as it is the world's major producer of low-priced sugar.

The EU sugar regime reform is a major threat to many developing country suppliers of sugar, as it will significantly lower the price of sugar from the ACP countries (African, Caribbean and Pacific) and LDCs (Least Developed Countries). These countries were formerly able to profit from the high sugar prices in the EU and the Sugar Protocol. The Sugar Protocol is an agreement between the EU and the ACP countries on the supply of sugar from the ACP countries to the EU at guaranteed prices. These prices are, in practice, equal to the prices which EU producers received. As a result of the sugar regime reform, the guaranteed prices for sugar from ACP countries and LDCs will decrease significantly from 2008 onwards. Imports from these countries are thus expected to decrease.

The most notable opportunity when looking at the import figures for the period 2001-2005 is the increase in the price for molasses, as a result of smaller supplies coupled with a stable demand. Although this mainly concerns the feed and ethanol industries, it is also expected to have a positive impact on the market for molasses as a specialty sugar.

Introduction

This CBI market survey profiles the honey and sugars market in the EU. The emphasis of this survey lies on those products, which are of importance to developing country suppliers. The role of, and opportunities for, developing countries are highlighted.

This market survey discusses the following product groups:

- Natural honey
- Raw cane sugar
- Cane molasses resulting from the extraction or refining of sugar

For detailed information on the selected product groups please consult appendix A. More information about the EU can be found in appendix B.

CBI market surveys covering the market in specific EU member states, specific product (group)s or documents on market access requirements can be downloaded from the CBI website. For information on how to make optimal use of the CBI market surveys and other CBI market information, please consult 'From survey to success - export guidelines'. All information can be downloaded from <http://www.cbi.eu/marketinfo>. Go to 'Search CBI database' and select your market sector and the EU.

1 Consumption

1.1 Market size

Honey

FAO data show that world consumption of honey amounted to 1,345 thousand tonnes in 2005. The EU25 accounts for approximately 24% of global consumption, or 318 thousand tonnes. This represents an average EU25 per capita honey consumption of about 0.8 kg. The other two major consumers of honey in the world are China and the USA. China accounts for 15% (201 thousand tonnes) and the USA for 12% (164 thousand tonnes).

Table 1.1 Total and per capita honey consumption in the EU, 2001-2005, in thousand tonnes and kg

	2001		2003		2005		Annual change
	Total	Per Capita	Total	Per Capita	Total	Per Capita	
Average¹	n.a.	0.7	n.a.	0.8	n.a.	n.a.	n.a.
Germany	91	1.1	88	1.1	89	n.a.	-1%
Spain	35	0.9	38	0.9	n.a.	n.a.	n.a.
France	34	0.6	28	0.5	33	0.5	-1%
United Kingdom	25	0.4	24	0.4	29	0.5	4%
Italy	20	0.3	13	0.2	23	0.4	4%
Greece	14	1.3	17	1.5	18	1.6	6%
Poland	10	n.a.	15	n.a.	17	0.5	14%
Romania	6	n.a.	8.1	n.a.	11	0.5	16%
Austria	13	1.6	12	1.5	10	1.2	-6%
Portugal	5	0.5	8	0.8	8	0.8	12%
Netherlands	7	0.4	n.a.	n.a.	n.a.	n.a.	n.a.
Belgium	6	0.6	6	0.6	5	n.a.	-4%
Sweden	5	0.6	7	0.8	5	0.6	0%
Denmark	3	0.6	5	0.9	n.a.	n.a.	n.a.
Bulgaria	4	n.a.	4	n.a.	n.a.	0.6	n.a.
Hungary	5	n.a.	4	n.a.	4	0.4	-5%
Slovakia	3	n.a.	2	n.a.	4	0.7	7%
Finland	2	0.4	3	0.6	3	0.5	11%
Ireland	1	0.3	2	0.5	n.a.	n.a.	n.a.
Lithuania	1	n.a.	2	n.a.	1	0.4	0%
Latvia	1	n.a.	1	n.a.	1	0.4	0%
Estonia	0	n.a.	1	n.a.	1	0.5	n.a.
Luxembourg	0.2	n.a.	0.3	n.a.	0.4	0.9	19%
Malta	0.1	n.a.	0	n.a.	0	0.0	-100%
Czech Republic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Slovenia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cyprus	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

1. Based on country figures which are available for all 3 years.

Source: Eurostat, 2007

In absolute terms, Germany is the leading EU market for honey, accounting for nearly 28% of total EU consumption in 2005, followed by Spain (12%), France (10%) and UK (9%). Per capita consumption differs greatly between EU countries. In 2005, per capita consumption in Greece was 1.6 kg while in Italy it was only 0.4 kg. The most important growth markets are Spain, Poland, Romania and Portugal.

Between 2001 and 2005, EU consumption of honey increased by 1.5% annually. An important factor contributing to the growth of the market is the health trend. The fact that honey is a natural product and has therapeutic as well as medicinal properties appeals to many EU consumers who are becoming more health-conscious and have an increasing interest in light, low-fat and vitamin-enriched products. For this reason, honey remains a popular ingredient in

both the industrial and food service sectors. It is positioned as a natural and healthy extra, for example, in breakfast cereals.

It is not possible to determine future consumption based on figures from the last decade, as the market for honey experiences strong fluctuations and seems to be growing with jolting movements.

Sugars

World sugar consumption was forecast at 146 million tonnes for the marketing year 2006/2007 (FAS of the USDA, 2006). In the EU, sugar consumption was 17.0 million tonnes in 2005; it was estimated at 17.4 million tonnes in 2006 and 18.6 million tonnes in 2007 (Eurostat, 2007). This indicates that the EU consumes roughly 12% of the world's sugar. In comparison, the North American countries consume approximately 11%, Central America 1%, South America 12%, Africa 8%, the Middle East 7% and Asia and Oceania 39%.

Table 1.2 Total and per capita (white) sugar consumption in the EU, 2001-2005, in thousand tonnes and kg

	2001		2003		2005		Annual change
	Total	Per Capita	Total	Per Capita	Total	Per Capita	
EU total¹ /average	n.a.	n.a.	13,900	n.a.	16,100	n.a.	n.a.
Germany	2,907	35	2,909	35	3,088	37	2%
United Kingdom	2,122	35	2,376	40	n.a.		n.a.
France	2,104	35	2,077	34	2,285	36	2%
Italy	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Poland	1,505	39	1,387	36	n.a.	n.a.	n.a.
Spain	1,288	32	1,210	30	n.a.	n.a.	n.a.
Romania	548	24	531	24	577	27	1%
Netherlands	539	34	n.a.	n.a.	n.a.	n.a.	n.a.
Czech Republic	428	42	n.a.	n.a.	n.a.	n.a.	n.a.
Belgium	520	51	471	46	414	39	-6%
Sweden	372	42	390	44	395	44	2%
Portugal	312	30	316	30	322	31	1%
Greece	375	36	278	25	321	29	-4%
Hungary	282	28	315	31	321	32	3%
Austria	325	40	313	39	316	38	-1%
Denmark	185	35	233	43	302	56	13%
Bulgaria	192	24	240	31	251	32	7%
Finland	175	34	187	36	205	39	4%
Slovakia	170	32	149	28	163	30	-1%
Ireland	126	33	122	31	n.a.	n.a.	n.a.
Latvia	65	27	82	35	91	40	9%
Lithuania	102	28	87	25	88	26	-4%
Luxembourg	21	48	22	50	20	44	-1%
Malta	23	59	27	68	13	32	-13%
Estonia	69	50	69	51	9	7	-40%
Cyprus	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Slovenia	n.a.	41	n.a.	36	n.a.	n.a.	n.a.

1. The EU total is not the aggregate of individual country figures given in this table
Source: Eurostat, 2007

In terms of total consumption, the leading sugar markets in the EU are Germany, the UK and France, followed by Poland and Spain. Italy is also a leading market for sugar. Although no figures on Italy were available at Eurostat, other sources have estimated white sugar consumption in Italy at around 1,600 thousand tonnes. Estonia, Luxembourg and Malta are the leading EU consumers of sugar in terms of per capita consumption, followed by Denmark, Belgium and Sweden.

Demand for sugar worldwide is on the increase, with world consumption rising between 1.5 and 2% each year, equating to around 2 million tonnes (FAOstat, 2006). The EU accounted for

a large part of this increase. During the period 2002-2006, EU sugar consumption increased by 5.8% annually. The main driving force behind this growth was the increased industrial use of sugar.

Momentarily, most of the sugar consumed in the EU is still beet sugar. Only around 10% (1.8 million tonnes in 2005) concerns cane sugar. However, the EU sugar regime reforms will most likely change this situation dramatically in coming years. The reform which came into force on 1 July 2006, was needed for a number of reasons. First, to bring EU sugar prices down, as they were three times higher than world market prices. Second, to comply with WTO rulings. Third, to make the sugar regime more sustainable and achieve market balance. The key elements in the reform are the price cuts for sugar produced in the EU. Until July 2006, the EU heavily subsidised sugar production, by paying the producers a support price for their sugar which was far higher than the world market price. The support price is the price for refined sugar, which the European Commission estimates to be a realistic price for sugar. When the price that buyers want to pay for sugar falls below this reference price, the EC intervenes by purchasing large quantities of sugar, which changes the balance between demand and offer in favour of demand. This in turn drives up prices. The measure guarantees minimum prices for the sugar companies and safeguards the survival of the sugar sector. It subsequently guarantees stable supplies and prices for the consumer. Over the period 2006-2010, the support price will be replaced by a reference price which will be 36% lower, but is still higher than the global market price. This will lead to considerable decreases in production of sugar in the EU, as many producers are not able to remain competitive with the lower prices. Moreover, they are offered incentives to stop their production. The decreasing quantities of EU beet sugar will be compensated by increasing quantities of raw cane sugar imported from countries outside the EU. The change from beet sugar to cane sugar will not have further consequences for total sugar consumption. Cane sugar has already been accepted by the EU market. From 2001 to 2005, apparent consumption of raw cane sugar increased by 3% annually, showing the increased market penetration of cane sugar. Nevertheless, raw cane sugar is still often promoted as an exotic product, which is particularly useful for exotic dishes.

1.2 Market segmentation

Honey

Use

The honey market is principally segmented into honey for household consumption and honey for industrial use. An estimated 85% of all honey goes to direct consumption. This table honey is used mainly as *spread on bread*, and some is used as a *natural sweetener* for drinks such as tea or milk. It can also be used in food preparations such as salads, vegetable and meat glazes and casserole dishes.

The other major market segment for honey is the food industry. This industrial honey is mainly used in the bakery, confectionery and cereal industries. It is particularly useful in baked goods. The moisture-absorbing quality of honey helps breads, cakes, cookies and candies stay fresh longer. Other industries using honey include manufacturers of tobacco and pharmaceutical products. Finally, honey also has a use in honey wine and several after-dinner liqueurs.

Organic

An estimate of the total market for organic honey in Europe is around 6,500 tons per year i.e. 2% of the total honey market. Organic honey is mainly used for table honey. Consumers of organic and health foods, who are generally customers of the specialist health food stores, mainly use honey as a natural nutritious alternative to sugar and for flavouring in cooking. It is also used by many consumers as a natural medicine. Although scientific research has not been able to confirm many of the claims on the medicinal properties of honey, there are many people who believe in it.

Fair trade

The Fair trade market reached € 1.1 billion in 2005 and is growing. Between 2004 and 2005, the number of licensees offering Fair trade Certified products increased by 29%, from 1,151 to 1,483. A notable new licensee is Marks & Spencer, a large food and clothing retail chain in the UK. Between 2004 and 2005, the consumption of Fair trade certified (FLO) honey in the EU increased by 7% from 1,240 tonnes to 1,330 tonnes. The main markets for Fair trade honey in the EU are Germany (362 tonnes) and the UK (296 tonnes).

Sugar

Use

In contrast to honey, only around 20-30% of all sugar in the EU-15 is for direct consumption. Most of the sugar is used as an ingredient by the food industry in drinks (21%), confectionery (15%), biscuits (12%), dairy products (6%) and various preparations (7%).

Next to their use in sugar production, both sugar cane and sugar beet are increasingly used in the production of bio-fuels. Due to higher oil prices, Brazil is currently streaming more sugar cane yields into the ethanol industry in order to lower gasoline prices. In the EU, the use of bio-fuels in gasoline is also increasing, due to EU and country-level regulation calling for decreases in CO₂ emissions. The increasing use in bio-fuels has, and will increasingly have, a positive influence on prices of sugar. With improving conversion technology this situation might change further in the future, as non-food crops or other parts of food crops can be used.

Raw cane sugar

Nearly all the sugar on the EU consumer market consists of white (beet)sugar. The consumer market for raw unrefined sugars is small compared to the market for white sugar. The market value of cane sugar is derived from its distinct taste and from the perceived nutritional value of the mineral content in the molasses which are still present in raw sugar, unlike in (white) refined sugar. Many consumers even think that raw cane sugar is healthier than conventional white sugar. However, it is not possible to give scientific backing to this statement. The impact of the natural health trend is therefore of limited impact on the consumption of raw cane sugars as scientists and the media do not promote raw cane sugars. Appearance, taste and smell are of more importance to the development of consumption. For this reason, consumption of Muscovado raw cane sugar remains limited. EU consumers do not like its appearance. Demerara sugar on the other hand is in high demand, as it looks pleasant and also has an attractive taste and smell. The pleasant appearance makes Demerara sugar particularly interesting for use in sugar cubes, which are often presented on the table and thus serve a presentational purpose. Demerara sugar can be found in the product assortments of various EU sugar companies. Although there are no figures on consumption of raw cane sugars, Billington, a major sugar company, stated that its sales of unrefined cane sugars grew strongly in 2006 (Sugar reform fails to sweeten ABF sales, FoodNavigator, 2006).

The market for whole raw cane sugar products, such as panela, is even smaller than that for raw cane sugar. It is relatively largest in Southern Europe. Industry sources also indicate an already considerable demand in the UK and an increasing demand in Germany.

Molasses

The main markets for molasses used to be the compound feed industry and the fermentation industry. However, due to rising oil prices, demand for alternative energy sources, such as ethanol has increased. The ethanol industry has consequently increased demand for molasses, which is a raw material for ethanol production. This development has expanded the market for molasses considerably. The ethanol, compound feed and fermentation industries require very large supplies and do not offer opportunities for small producers. However, the increased demand from the ethanol industry is also thought to have affected the market for human consumption of molasses. Scarcity on the market leads to higher prices. Although the market for molasses for human consumption could be considered as a niche market which operates largely independently from the ethanol, compound feed and fermentation industries, they are

all dependent on molasses supplies. Therefore, the developments in the ethanol and molasses markets could offer interesting opportunities for small producers of molasses.

Organic

The total EU organic market amounted to € 14 billion in 2005. Although no specific information is available on the consumption of organic sugar, the size of organic markets can be seen as an indication for the interest in organic products in general. According to Traidcraft, a UK company trading in fair trade products, the EU consumes approximately 40 thousand tonnes of organic sugar annually. Other sources estimate the market size at 50 thousand tonnes. Importers estimated the share of organic sugar in total sugar imports at less than 3% in 2005. The volume of these imports would amount to 4,000-5,000 tonnes ('Mercado Europeo de azúcar orgánico & comercio justo', FIBL, 2007). The largest organic markets in the EU are Germany (ca. € 3.8 billion), the UK (ca. € 2.4), Italy (ca. € 2.4) and France (ca. € 2.2). Together these countries accounted for more than two thirds of the organic market in 2005. However, in relative terms, countries with a higher per capital consumption are Switzerland (\pm € 104), Denmark (\pm € 56), Austria (\pm € 56), Sweden (\pm € 48), Germany (\pm € 46) and Italy (\pm € 41) (FiBL 2007).

Around 80% of the organic sugar market consists of cane sugar. This is the opposite to the situation in the conventional market, which is dominated by beet sugar. The major factor explaining this is the higher production costs for organic beet sugar, compared to the imported cane sugar. EU producers have difficulty in adapting their production process to make it organic. This is generally less problematic for producers in developing countries. Currently, the frontrunners in the consumption of organic products are Denmark and Austria. These two countries are also major producers of organic products, which has had a positive effect on the development of the organic market in those countries. Another reason for the small share of beet sugar in the organic market is that organic beet sugar is relatively new; also, it faces production constraints, since the large sugar factories have difficulty in processing the small amounts of organic sugar beet. The demand for organic sugar is expected to increase in line with the growth of the organic market as a whole.

Regarding the segmentation by use in the organic sugar market, 25% is used as table sugar and the remainder finds applications in food industries.

EU refineries which produce organic beet sugar are, amongst others:

- Suikerunie in the Netherlands – <http://www.suikerunie.com>
- British Sugar in the UK – <http://www.britishsugar.com>
- Danisco in Sweden – <http://www.danisco.com>

Fair Trade

Fair Trade and Fair Trade/organic sugars have also become available and are increasingly used by the food industry, as well as being sold at the retail level. In 2005, the sales volume of Fairtrade-certified sugar in the EU recorded by FLO amounted to 3,613 tonnes. This mainly concerns the UK (1,690 tonnes) and France (619 tonnes). However, the sales of Fair Trade sugar are increasing, with major traders such as Napier & Brown and Billington entering the market, both at the retail and the food ingredients level. Nevertheless, the importance of Fair Trade remains limited in the latter, since the availability of Fair Trade processed food products is still very constrained. Importers expect the market for Fair Trade sugar to continue growing in the next few years.

Sales of sugar which is Fairtrade as well as organic certified, amounted to 426 tonnes in 2004, according FLO figures. Demand for this sugar is expected to increase.

1.3 Trends

Honey

Natural health food

EU consumers have a strongly increased interest in a healthy life style and, consequently, in the consumption of health food. Health food refers to food products, which are low in fat or even have calorie-burning properties and which have limited sugar and salt content. This includes functional foods, which have specific health-promoting properties (e.g. antioxidants) and food products with added vitamins and minerals or bacteria supporting the intestinal function. However, so far only a few functional food products have actually reached the marketplace. This is due partly to the fact that developing adequate scientific support for health claims, which has to go through a regulatory Process for the Assessment of Scientific Support for Claims on Foods, can be relatively expensive and time-consuming for producers. Moreover, some food manufacturers struggle with how best to communicate diet- and health-related information to consumers.

The increasing awareness of the importance of diet and nutrition among EU consumers has been accompanied by increasing concerns about the safety of food. Recent food scandals and critical food research have led to a negative image of synthetically manufactured food (ingredients). Together with a higher appreciation of products from nature and a growing environment consciousness, this has made natural products more popular. For example, according to DSM Food Specialties, consumers prefer to see the names of natural ingredients on food labels instead of E-numbers or names of chemical formulations. This confirms the trend of consumers perceiving synthetic food ingredients increasingly as unwanted. Food processors have responded by producing more natural products. In the first half of 2005, food processors released a total of 564 products in Europe labelled as either without preservatives or additives or billed as "all natural", compared to 438 released over the same period last year, according to statistics compiled using Mintel's Global New Products Database.

Honey fits in well with the natural health trend. It is a completely natural product which has several health promoting properties. Research from the University of Illinois for example has shown that honey may be a healthier alternative to corn syrup, due to honey's higher level of antioxidants and other compounds which are believed to fight diseases ('Health to drive honey choice for food formulations?', FoodNavigator, 2007).

Organic food

Increased concerns about the effects of intensive farming on the countryside and on the environment in general have also intensified interest in organic foods. Although environmental concerns are shared by a much smaller group of consumers, organic food products also profit from the general interest in natural products, as they are perceived to be purely natural products.

The organic trend has increased demand for both organic honey and sugars. It is a trend which covers almost the entire natural product range of the food industry.

Specialist variety honeys

EU consumers have a general preference for light coloured, clear honey with a mild taste. However, the monofloral types such as acacia are becoming particularly popular. Demand for these specialist variety honeys is increasing at the expense of blended honeys (David Wainwright of Tropical Forest Bee Products Ltd., 2007). The largest growth in consumption is expected for these types of honey. However, there are significant differences in consumer habits and preferences in the various EU countries.

Sugar

Health food

The sugar market suffers from the trend towards more sugar-free products. According to figures from market analyst Mintel around 34% of UK consumers is now actively avoiding sugar, while in France and Germany, the figures are 40% and 37% respectively. (Palatinin eyes Russian sugar-free market, FoodNavigator, 2007). However, this mainly concerns table sugar and products which are commonly known to contain a lot of sugar. Ironically, the trend towards sugar-free products has been initiated by researchers who claim that the increased consumption of sugars in processed foods is the main source of the obesity problems as consumption of table sugar has remained stable. The problem, according to these researchers, is that many consumers do not realize how many of the food products they consume actually contain sugar ('Mercado Europeo de azúcar orgánico & comercio justo', FIBL, 2007).

Although sugar-free products are in higher demand, sugar substitutes themselves are also under pressure from the natural health trend. Most of these sweeteners are artificial as opposed to natural. Consumers perceive artificial to be less safe for their health than natural products and are therefore turning away from artificial sweeteners as well. Moreover, there are technical barriers to the substitution of sugar by artificial sweeteners (The new EU sugar regime and the world sugar market, Danisco, 2006). The effects on sugar consumption on the trend towards less sugar in food are, therefore, dampened.

Raw cane sugars are perceived to be more natural and more healthy than white sugar. They could therefore profit from the natural health trend. However, raw cane sugars carry the risk of containing more impurities. For example, Albert Heijn, a large supermarket chain in The Netherlands, once had to recall thousands of raw cane sugar products which were not up to EU standards. Events such as this have a negative impact on the reputation and sales of raw cane sugars and can even offset the positive effects of the perception of raw cane sugars as described above.

1.4 Opportunities and threats

Honey

Import bans

Honey suppliers, including those in developing countries, are offered good opportunities by adapting to the natural and health trends. Many food manufacturers are currently engaged in replacing the synthetic and less healthy ingredients in their food formulations by natural and more healthy substitutes. Honey is potentially one such substitute.

A threat to the reputation of honey as a natural health product, and subsequently to the consumption of honey, are EU imports of honey contaminated by chloramphenicol and other prohibited substances. Chloramphenicol is an antibiotic which is used to cure sick bees, but which can also cause a fatal blood condition in susceptible individuals, called aplastic anaemia. In 2002, Chinese honey was banned from the EU as it was often contaminated with chloramphenicol. However, after the ban, Chinese honey contaminated by chloramphenicol was exported to other countries, where it was relabelled and then sold to the EU as honey from other developing countries which had access to the EU market. The negative media attention seriously harmed the reputation of honey as a natural health product. This has made it even more important for honey suppliers to stress and prove the natural composition of their products.

Another recent ban was imposed on honey imports from Brazil. The ban was imposed because testing had not been carried out in the manner specified by the EU. The commercial parties testing the honey did not have an official programme, as they did not deem it necessary. A lack of trust from the EU resulted in a ban in 2006.

The bans are not only a threat to the reputation of honey as a health product. Bans and other events which lead to price increases threaten the stability and reliability of supply chains for the food manufacturers. Honey is a relatively expensive product and recent experiences have shown that the industrial market is sensitive to changes in honey prices. Although many food manufacturers are currently engaged in the inclusion of more natural health ingredients in their food formulations, they may also do the reverse and substitute honey by other ingredients such as sugar, invert sugar syrup, corn syrup and high fructose corn syrup (a cheap and versatile substitute for honey, especially in products in which flavour is unimportant).

Nevertheless, the outlook for the honey trade is slightly positive and, according to the International Trade Centre (ITC), honey is a product champion. Developing countries have performed very well in the global market for this product. Product champions are particularly dynamic products, which are growing faster than world trade, and for which developing countries have been able to outperform world market growth and increase their share in global imports. Exporters of these products have proven their international competitiveness over recent years. Trade promotion efforts for these products face low risk and should aim at broadening the supply capacity.

Consumer preferences

Another threat to honey imports from developing countries are the consumer preferences regarding the properties of honey. The EU consumers prefer light coloured honey with a mild taste, while honey from developing countries in the tropical zone is often dark and has a strong taste. It is more difficult to market this honey, as many consumers do not easily accept this (Finnish Honey Packers Ltd., 2007).

Organic production

The increasing demand for organic honey offers good opportunities for developing country producers of honey, who often encounter fewer barriers in order to switch to organic production methods. However, the increasing demand for organic honey is not met by an increasing production. Relatively small premiums of less than 10% discourage producers to invest in the costs associated with obtaining organic certification. The initial investments are particularly discouraging as the producer carries great risks when it is uncertain what the results of the switch to organic production will be.

Sugar

The EU sugar market is a very competitive market. The companies active in this market mostly produce on a large scale for low prices. The reform of the EU sugar regime will even amplify this. In fact, the major threat to many developing country suppliers of sugar to the EU is the EU sugar regime reform which will remove the preferential access for ACP countries (African, Caribbean and Pacific) and LDCs (Least Developed Countries). Sugar exporters in these countries will have to compete on the reformed market with prices which are 32.5% lower. Only the most cost-effective producers will be able to compete on this price level.

Relatively small developing country exporters are clearly threatened by the large multinational companies. There are often better opportunities in the niche markets as were identified in Section 1.2. For example, there is a significant market for sugar which is organic and Fair Trade certified at the same time (Presentation on marketing organic and Fair Trade products at Biofach 2007).

Industry sources are divided about the future potential for organic sugar in the EU. In recent years, there has been strong interest in organic sugar so that major sugar importers, such as Napier & Brown and Billington and sugar refineries such as British Sugar, have also entered the organic market. Importers have stated that the organic cane sugar market suffered from supply constraints and increasing prices for raw materials. However, some importers have estimated that the current supply of organic sugar is much larger than existing demand. This is

expected to push prices down in the future (Mercado Europeo de azúcar orgánico & comercio justo, FIBL, 2007).

One of the few options left for small farmers in developing countries to improve their ability to compete on price in the market for conventional sugar is the Fair Trade label. However, whilst the Fair Trade Foundation offers a premium of around € 50 per tonne for sugar branded as Fair Trade, government schemes such as the ACP Sugar Protocol offered premiums of around € 320 per tonne above global market prices.

1.5 Useful sources

- European Commission Infopack on the EU sugar regime reform: http://ec.europa.eu/agriculture/capreform/sugar/infopack_en.pdf
- For international sugar statistics or other sugar information, please refer to <http://www.ilovo.co.za>.
- FIBL (Research Institute for Organic Agriculture): <http://www.fibl.org/>

2 Production

2.1 Size of production

Honey

Worldwide production of honey amounted to 1,381 thousand tonnes in 2005. The EU is an important producer of honey, in terms of production volume. In 2005, EU production of honey amounted to 174 thousand tonnes, accounting for 12.6% of global production. Other leading producers according to their production shares are: China (22%), USA (6%), Argentina (6%) and Turkey (5%).

Table 2.1 Honey production in the EU-27, 2002-2006, in thousand tonnes

	2002	2004	2006	Annual change
Spain	32	32	n.a.	n.a.
Germany	26	24	21	-5%
Hungary	13	22	20	11%
Romania	13	17	18	8%
Poland	9	12	16	15%
Greece	14	15	n.a.	n.a.
France	16	14	n.a.	n.a.
Italy	10	7	13	7%
Bulgaria	7	11	n.a.	n.a.
Austria	8	7	6	-7%
Portugal	4	7	6	11%
Czech Republic	6	n.a.	n.a.	n.a.
Slovakia	3	3	4	7%
United Kingdom	3	8	4	7%
Sweden	3	3	3	0%
Denmark	2	3	n.a.	n.a.
Finland	2	2	n.a.	n.a.
Belgium	2	2	n.a.	n.a.
Lithuania	1.0	1.2	1.3	7%
Latvia	1.0	0.6	0.9	-3%
Estonia	0.0	0.5	0.6	n.a.
Luxembourg	0.1	0.1	n.a.	n.a.
Ireland	0.1	0.1	n.a.	n.a.
Netherlands	0.1	n.a.	n.a.	n.a.
Malta	0.1	0.0	0.0	-100%
Slovenia	n.a.	n.a.	n.a.	n.a.
Cyprus	n.a.	n.a.	n.a.	n.a.

Source: Eurostat, 2007

Between 2002/03 and 2004/05, EU25 production increased from 149 thousand tonnes in the former year to 169 thousand tonnes in the latter (World and Community Situation, European Commission, 2006). This increase was mainly the result of the recovery of honey production in Germany. Although the above figures do not show this, honey production in Germany experienced a dip in 2002/03. Real growth in EU production is estimated at 2% annually between 2001 and 2005. A large part of this growth was realized in Eastern Europe, notably Hungary and Poland. The new member states Romania and Bulgaria also significantly increased their honey production.

Organic

According to the EPOPA study "Export opportunities for African organic honey and beeswax", the production of organic honey in Europe is limited. The main reasons are the presence of the varroa mite, the lack of unpolluted areas, and cold winters. The varroa mite is most effectively treated with veterinary medicines, which are not allowed in organic production. In Europe, a

honey reserve to last the bees through the winter can be achieved only when the honey is not (fully) harvested in the summer. This seriously limits the production volume of organic honey.

Sugars

Sugar is a very widely produced commodity. It is produced by more than 100 countries around the world. Total global production amounted to 146 million tonnes in 2005/2006 (European Commission, 2006). The largest producer is Brazil which accounted for around 20% of total global production. The EU accounts for around 14%.

Approximately three quarters of global sugar production is produced from sugar cane grown primarily in the tropical and sub-tropical zones of the southern hemisphere. The rest (25%) is produced from sugar beet, which is grown in the temperate zones of the northern hemisphere. Most of the EU lies in this temperate zone. Consequently, EU sugar production largely consists of beet sugar while cane sugar production only accounts for a minor part.

Table 2.2 EU (white) sugar and molasses production, 2001-2005, in thousand tonnes

	2001	Molasses	2003	Molasses	2005	Molasses	Annual Change	Annual Change
	White sugar		White sugar		White sugar		White sugar	Molasses
France	4,494	800	4,952	1,015	4,435	n.a.	0%	n.a.
Germany	4,383	834	4,043	839	4,335	842	0%	0%
Poland	2,009	470	2,032	483	n.a.	428	n.a.	-2%
Italy	n.a.	541	n.a.	508	n.a.	354	n.a.	-10%
United Kingdom	1,325	323	1,430	241	n.a.	194	n.a.	-12%
Spain	1,104	454	1,203	442	n.a.	n.a.	n.a.	n.a.
Belgium	942	187	1,019	196	991	212	1%	3%
Netherlands	840	229	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hungary	268	88	347	96	499	139	17%	12%
Denmark	533	106	516	106	472	89	-3%	-4%
Austria	411	111	456	121	458	116	3%	1%
Czech Republic	434	117	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Portugal	63	32	383	31	400	31	59%	-1%
Sweden	412	82	432	82	372	65	-3%	-6%
Greece	368	146	296	131	259	95	-8%	-10%
Slovakia	129	43	184	59	233	72	16%	14%
Ireland	219	57	198	41	n.a.	n.a.	n.a.	n.a.
Finland	144	59	158	23	148	23	1%	-21%
Lithuania	127	41	138	47	133	35	1%	-4%
Latvia	58	18	84	26	67	19	4%	1%
Romania	59	1	66	2	51	n.a.	-4%	n.a.
Estonia	0	0	0	0	0	0	n.a.	n.a.
Luxembourg	0	0	0	0	0	0	n.a.	n.a.
Cyprus	0	0	0	0	0	0	n.a.	n.a.
Malta	0	0	0	0	0	0	n.a.	n.a.
Bulgaria	3	30	6	35	n.a.	29	n.a.	-1%
Slovenia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Eurostat, 2007

Although figures from Eurostat for Italy are unavailable, it is estimated to be one of the leading sugar producers in the EU, together with France and Germany. Its sugar quota amounted to 1,557 thousand tonnes.

Sugar and molasses production in the EU-15 is principally based on comparative advantages, although the most efficient distribution of production has been disrupted by the quota system. Quota regulate the maximum allowed production in a country/region. In 1968, when the Common Market Organisation in the sugar sector was set up, the production quotas (which

later became A quotas) were based on previous production levels. These had mainly been the result of regional specialisation, based on comparative advantages (such as domestic demand). B quota, which were introduced in the 1980s to limit EU production and supplemented the A quota, also resulted from regional specialisation as it had been most attractive to produce over-quota sugar in areas with significant comparative advantages. Quotas for the ten new member states which joined the EU in 2004, were based on consumption levels for the new countries which had a surplus and on production levels for countries which had a deficit.

As molasses are a by-product of processed sugar, the size of the production of these products is directly linked to the white sugar production.

EU25 sugar production is currently in the hands of only 70 companies and 203 factories. The sugar sector is a highly concentrated sector consisting of large companies. The fact that the average production area of a sugar company is larger than that of other agricultural producers reflects this. The production size of EU sugar companies has increased, particularly in the last few decades. The sector improved its productivity significantly. Between 1992 and 2003, the number of jobs in the sector in the EU-15 fell from 59 thousand to only 32 thousand, while at the same time production increased.

Table 2.3 Sugar companies and factories in the EU25, 2004/05

Country	Sugar companies	Sugar refineries	Country	Sugar companies	Sugar refineries
Total	70	203	Portugal (continental)	3	3
France (mainland)	13	32	Portugal (Azores)	1	1
France (DOM*)	5	5	Sweden	1	3
Germany	5	26	Greece	1	5
Poland	5	43	Slovakia	3	5
Italy	5	17	Ireland	1	2
United Kingdom	2	7	Finland	1	3
Spain	3	11	Lithuania	2	4
Belgium	2	6	Latvia	2	2
Netherlands	2	5	Estonia	0	0
Hungary	3	5	Luxembourg	0	0
Denmark	1	3	Cyprus	0	0
Austria	1	3	Malta	0	0
Czech Republic	7	11	Slovenia	1	1

* French overseas regions

Source: European Commission Infopack, 2006

The reform of the EU sugar regime will lead to further concentration of the sector. Prices of sugar beets will decrease by 39.7%. As they constitute around 60% of the price of the final product, the reduction in sugar beet prices will make the production of white sugar only 23.8% less expensive. The reference price for white sugar, on the other hand, will decrease by 36%. This implies that sugar companies will have to reduce their other costs by approximately 12.2%. The cost reductions will most likely be realized through scale increases, further concentration in the sector and smaller margins.

Between 2001 and 2005, EU-27 sugar production remained stable at around 19 to 20 million tonnes annually. Production quotas determined the total size of the production. The profit which could be made from sugar production was derived from the maximum use of the quotas, while over quota production was generally not profitable.

Future EU sugar production is expected to decrease sharply as a result of the sugar regime reform. EU25 sugar production is forecasted to fall to 16.4 million tonnes in the 2006/07 season, a 25% decrease compared to 2005/06. As EU sugar reform measures take effect, production in less efficient areas will discontinue as reference prices and subsidies are lowered. Moreover, measures to counter the negative effects of the reform on the agricultural sector

include a voluntary Restructuring Fund, which will provide financial incentives for less competitive sugar producers to stop producing sugar.

Yields are one of the factors which determine the competitive strength of a company. They are thus an important indicator of the locations where sugar production is expected to decline.

Table 2.4 Sugar beet yields in the EU, 2004/2005

Country	Yield	Country	Yield
France	12.23	Hungary	7.30
Belgium	10.89	Ireland	7.22
Netherlands	10.47	Slovakia	6.75
Austria	10.24	Poland	6.72
United Kingdom	10.22	Italy	6.43
Germany	9.83	Slovenia	6.23
Denmark	9.81	Lithuania	5.24
Spain	9.80	Portugal	4.79
Czech Republic	7.96	Finland	4.79
Greece	7.91	Latvia	4.94
Sweden	7.80		

Source: European Commission Infopack, 2006

In terms of yields, the most competitive producers of sugar are located in Northwest Europe. The United Kingdom, Belgium, The Netherlands and France have a particularly competitive beet sugar sector. Countries where production is highly inefficient include Italy, Portugal and Finland (Illovo Sugar, 2007). These countries do not have climatic conditions conducive for sugar production. Germany is not very competitive either. Although yields are relatively high, it has very high unit costs.

Several less-productive sugar refineries have already closed. Ireland and Slovenia have discontinued sugar production altogether. In Italy 13 refineries closed down, in Poland 9, and 4 in the Czech Republic. Spain and Germany have each closed down 3 refineries. Note that the total number of refineries differs significantly among the member states. Therefore, the relative importance of the reduction in number of refineries is different as well. For example, in relative numbers, the reduction of refineries in the Czech Republic, where 1 on every 2.75 refineries closed, was larger than in Poland, where only 1 on every 4.78 refineries closed. Refer to Table 2.4 for the number of refineries in EU countries. Further reductions in the number of refineries are expected in 2007/08 and 2008/09.

While overall production will decline, in some cases competitive producers will seek to purchase vacant quota. In general, however, beet yields will increasingly be used for other products, as beet growing for sugar becomes unprofitable¹.

According to USDA-FAS, cane sugar production, predominately in Spain, has discontinued altogether. In 2004, FAO still recorded an annual production of 56,000 tonnes, but with steep annual decreases compared to previous years. In June 2006, Europe's last sugar cane milling operation, in Salobreña, Spain, stopped operating. Production of cane sugar still takes place in France's overseas departments of Guadeloupe, French Guyana and Martinique and in the Portuguese Azores islands. Portugal is a significant producer of raw cane sugar, which will not be refined, supplying the Spanish market. France plays a role in supplying the UK, Italy, Spain and Belgium with these unrefined products.

Organic sugar

Organic beet growing and organic beet sugar production is much less prevalent than organic cane sugar and forms only very limited competition to organic cane sugar.

¹ Growing demand for bio-fuels provides a timely opportunity for sugar beet growers to consider ethanol as an alternative to out-of-quota sugar production. Moreover, starting in 2006, sugar beet production for energy benefits from Carbon Credit premium, which is set at € 45 per hectare (USDA FAS 2007)

2.2 Trends

Honey

Based on consumption and production data, the EU was only 54% self-sufficient in 2004/05. To support honey production in the EU, the European Commission adopted Council Regulation 1221/97, which lays down rules for the implementation of measures to improve the conditions for the production and marketing of honey in the European Union. This objective is achieved through national programmes, which include measures in the field of technical assistance, control of varroasis, rationalisation of transhumance, restocking hives and applied research in the field of beekeeping and apiculture products. The control of varroasis is a particularly important measure, as EU production suffered significantly from this disease in recent years. Manuel Izquierdo of the Spanish Coordination Centre for Agricultural Organisations states that the varroa mite is the main factor which explains the deterioration of the profitability of beekeeping in the EU. So far, the programmes have only helped to keep honey production in the EU-15 stable. The increase in the number of registered beehives is misleading, as this was mainly the result of improved statistical measurement.

It is expected that the programmes will not be of sufficient help to keep the EU honey sector price-competitive in relation to the honey sectors of the world's major honey producing countries. Honey production in the EU-15 is therefore likely to decrease in the future. This decrease could be amplified by Colony Collapse Disorder (CCD). CCD is the sudden disappearance of worker bees in a Western honey bee colony. This phenomenon, which is yet little understood, has severely affected the number of bee colonies in Southern European countries (Portugal, Spain, Italy and Greece) and in Poland. The causes of CCD are yet unknown, and if no solutions can be found on the short term and EU beekeepers can not prevent it, then it could pose a severe threat to their production. This, in turn, could make beekeeping a less attractive commercial activity, leading to decreasing numbers of beekeepers and a further reduction in honey production.

Nonetheless, total EU production increased strongly between 2002 and 2006 as a number of the new member states in Eastern Europe are large honey producers. EU production increased even further with the accession of Bulgaria and Romania in 2007. The self-sufficiency rate of the EU even increased to 61%. Moreover, production in the new member states is increasing. EU honey production is thus increasingly taking place in Eastern Europe.

Sugar

The EU sugar sector has experienced large scale increases in the last few decades, notably since the introduction of the CMO in 1968. Scale increases offered the best opportunities for sugar producers and processors to improve their competitive strength, as both prices and production quota were fixed. Under the new sugar regime, scale increases are expected to continue, as the sector consolidate due to large companies buying the quotas which are released by the less competitive companies.

2.3 Opportunities and threats

Honey

- + Production of honey in the EU-15 is likely to decrease in the future. These countries will need to import higher amounts of honey from producers outside the EU.
- However, much of their increased need for imports will be met by supplies from the new EU member states. These supplies are a major threat to developing country exporters, as the new member states clearly have better access to the EU market. There are no restrictions on the honey trade between EU member states and the logistics are less complicated.
- Honey substitutes pose a potential threat to honey suppliers from both the EU and from countries outside the EU. Two of the main substitutes for honey are inverted sugar syrup and corn syrup.

- + An opportunity is offered by the conditions necessary for organic honey production. These conditions are not favourable in the EU and form a barrier to organic production. Developing country producers are often better able to respond to the demand for organic honey.

Sugars

- The consolidation in the sugar market has made the conventional market less accessible and less attractive to small-scale developing country exporters of raw cane sugar as quantities traded have become increasingly large.
- +/-The EU sugar regime will intensify this development. At first sight, the EU sugar regime reform and the subsequent decline in EU sugar production seem to open up new opportunities for all developing country producers. However, in the reformed EU sugar market, the major competitors to developing country exporters will not be EU producers. They will be the large scale exporters in the world's most competitive producer countries. The best opportunities stemming from the decline in EU sugar production will therefore be limited to large-scale exporters.

2.4 Useful sources

- European Commission: http://ec.europa.eu/agriculture/markets/honey/index_en.htm
- Food and Agriculture Organisation: <http://faostat.fao.org/>

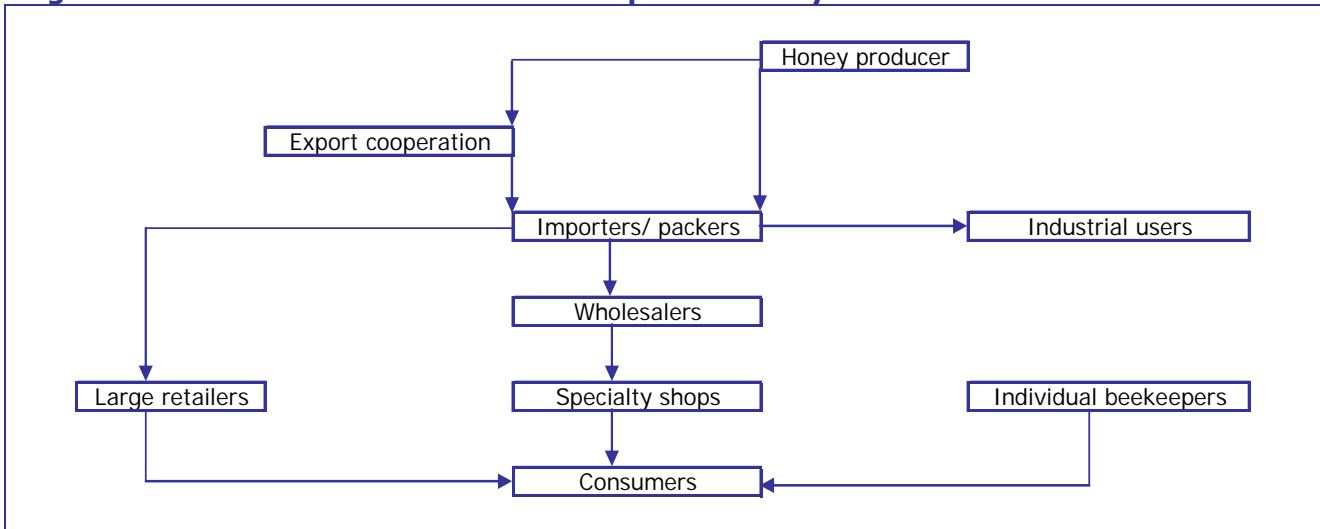
3 Trade channels for market entry

3.1 Trade channels

Honey

Bulk imports of honey reach consumers after packing by packers and processing by industrial users. Sometimes pre-packed honey is also imported, but it seldom comes from developing countries.

Figure 3.1 Distribution channels for imported honey in the EU



Honey producers and export cooperations

Supplies from individual honey producers, notably in Africa, are often too small to meet the needs of importers. Large importers like Walter Lang for example, keep stocks of 4 to 5 thousand tonnes. They are supplied with quantities of up to 25 tonnes per delivery. For this reason, small honey producers often supply to export cooperations, which collect the honey and export in large volumes.

Importers/packers

Importers usually combine the functions of importing honey into the EU with processing, blending and packing the honey. Three distinct types of packers can be identified for the honey sector in the EU:

- Packer-producers: beekeepers in the EU, who have facilities for processing and packing of honey. They sell directly to consumers, usually from their premises, or to retailers in the vicinity. They are often small businesses and they do not market imported honey.
- Packer-cooperatives: groups of beekeepers who purchase, process, pack and market honey, often under their own label. They sometimes purchase imported honey to compensate for shortages in their own supply or to expand their product range.
- Packers: they purchase honey both from beekeepers and importers. They have their own brand label and they also pack honey for other brands. Moreover, they supply retailers with their private label brands.

Importers/packers sell the end product to wholesalers and retailers in consumer packaging. The UK importer Four Seasons for example, sells its products to distributors like SUMA, Infinity, Essential Trading, Green City and Graig Farms. Next to supplying consumer packaging to wholesalers and retailers, importers also supply in bulk to industrial users.

Retailers

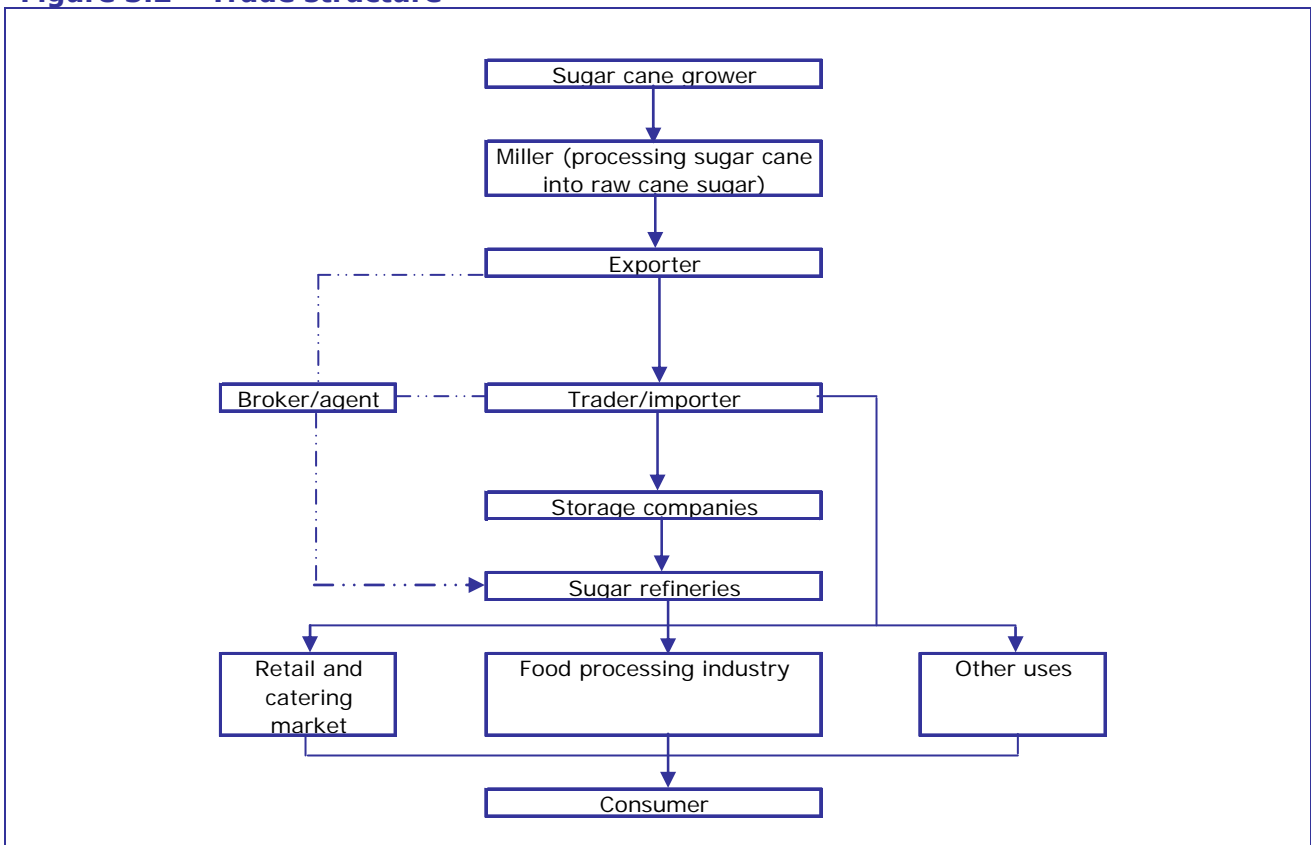
As an estimated 85% of honey in the EU is sold directly to consumers, retailers (including beekeepers) play an important role in the distribution of honey to consumers. Super- and hypermarkets constitute the most important outlets for honey. They belong to big retail groups in the EU like Metro (Germany), Carrefour (France), Tesco (UK) and Ahold (The Netherlands). Due to their size, they command a substantial buying power. Apart from the brands of honey suppliers, these retail groups all sell honey under their own brand to consumers (private label or distribution brands). The private label products are sold at lower prices to the consumer, although the quality is not really different from that of supplier's brands.

In general, most honeys offered in retail outlets are blended, because it is not possible to make an acceptable table honey from the lowest-priced honeys. Only specialty retail stores offer a wide variety of single-origin honeys. These specialty retail stores, which often concentrate on organic and natural food products, form the second retail channel for honey. Due to the increasing safety concerns, these shops have become more popular during recent years. Consumers look increasingly for natural, tasty and safe food without any chemical ingredients. The specialised shops for organic and natural food cater to this trend.

The distribution of organic honey in Germany, Europe's leading market for conventional as well as organic honey, is mainly regional, and products often have to be purchased from specialty wholesalers. Synergies are hardly possible, thus eliminating one of the major competitive advantages of leading supermarkets over smaller retailers. As a consequence, honey sales remain mostly limited to specialized retailers. In Germany, there are 2 large organic supermarket chains: 'Alnatura' with 22 subsidiaries, and the Munich 'Basic AG' with 15 subsidiaries. Besides, there is a number of smaller organic chains like Erdkorn, Denny's, and SuperBioMarkt. The top 10 chains only account about one third of all organic supermarkets. However, concentration is expected to rise markedly.

Sugar

Figure 3.2 Trade structure



Traders/ Importers

Raw cane sugar for refining

Most raw cane sugar is imported by a small number of sugar-trading companies. These companies are specialised in trading and do not process the sugar. The processing is done by refineries, which will be discussed later. In many other commodity sectors such as tea, coffee and cocoa, importing and processing are vertically integrated into single companies. However, due to the pricing and quota systems and the import licences of the EU sugar regime, refineries have historically focused their activities on the refinement of sugar beet. The import has mostly been restricted to specialised importers. The refineries which did not process cane sugar on a large scale have not been interested in importing raw cane sugar. One exemption is Tate & Lyle, which has one of the largest cane sugar refineries in the world.

Because of decreasing sugar beet production, European refineries will increasingly focus on processing cane sugar. This will cause growing needs to import cane sugar. It is expected that an increasing number of refineries will obtain import licences and import the cane sugar themselves. For example, Nordzucker AG of Germany, Cristal Union of France and E.D. & F. Man of the UK recently announced the formation of EuroSugar, the second largest distributor in the EU, which will import and refine cane sugar from developing countries as well as beet sugar from EU countries. Another example is the purchase of a 51% share in Illovo, a South African sugar company, by British Sugar. This will allow British Sugar to take advantage of the reduced import tariff for sugar from underdeveloped countries. Nevertheless, importers will remain the leading trade channel for cane sugar, as sourcing by refineries through these channels will also increase.

The most important (conventional) traders of cane sugar are located in The United Kingdom and are members of the Sugar Traders Association of the United Kingdom. This is due to the historical ties between the UK and most developing country sugar exporters, and ACP sugar producers in particular. The principal importer from ACP countries is Tate & Lyle. Other raw cane sugar traders include, E.D.&F. Man, Napier Brown, Ragus and Glencore UK. Other traders of cane sugar are Hygiena (also organic) in Belgium, and Worlee in Germany. As was shown in Chapter 2, Portugal, Bulgaria and Romania are also major importers, although specific importers could not be encountered in these countries. However, Tate & Lyle has an important production facility in Portugal, which could also explain part of Portuguese imports.

Raw cane sugar which will not be refined

Raw cane sugar which will not be refined is mostly traded by the same traders as mentioned above. Although the sugar does not go to a refinery, sugar companies still add value to the product by packing it. Nearly all raw cane sugar on the EU market carries a brand of a EU sugar company. These companies use the raw cane sugar to enlarge their assortment and to be able to respond to all consumer demand, including demand for niche products.

Whole raw cane sugar

As regards specialty sugars, such as whole raw cane sugar and related products, only a very limited number of traders is active. Multiple commodity traders, focussing mostly on industrial buyers, such as E.D. & F. Man, Louis Dreyfus and Glencore do not have such products in their assortment. This might be due to the very small markets for these products, but also because they are less often used by their food processing clients. For others, such as Tate & Lyle, whole raw cane sugar and related products play a very limited role and are largely unknown within the organisation. Nonetheless, there are several companies with an important focus on these specialty sugars. For example, Billington only focuses on raw cane sugars, and has sugars such as Demerara and Muscovado in its assortment. Other parties involved include Worlee in Germany and organic players such as Rapunzel, Worlée (both Germany) and Do-It (The Netherlands).

Brokers

Brokers are intermediaries who bring buyers and sellers together for which they get paid a commission. Products do not physically come into possession of brokers. Several large brokers are active in the sugar trade. Many of these are located in the UK and include Marex Carlton, Sudden and Fimat International.

Many cane sugar importing companies maintain representatives in producing countries, either through their own offices or with agents. These can form an interesting channel for exporters to approach the European market, apart from directly contacting European companies.

Storage companies

These companies can play a role in different stages of the distribution channel. They receive and store products on behalf of their clients. They do not own the products. As the EU has significant stocks of (refined) sugar at any given time, the storage companies play an important role in the distribution structure for sugar in the EU.

Refineries

Refineries process raw cane sugar into refined sugar (white sugar) and a large variety of sugar products, such as caster sugar, brown cane sugar, extra fine sugars, icing sugars, sugar syrups, invert syrups, molasses, pharmaceutical sugars etc. They sell their products either to industrial users or to distributors and retailers, if it concerns final consumer/catering packaged products. There are few opportunities for DC producers on the retail packaged sugar market as these markets are heavily controlled by each country's main sugar manufacturers. Moreover, HACCP will be necessary in addition to finding EU partners for marketing/distribution.

Several of the traders/refiners mentioned above, including Tate & Lyle and Ragus also have refining facilities. Tate & Lyle has Europe's largest cane sugar refinery and is overall the largest refiner of cane sugar. Other specific cane sugar refineries are mostly Spanish and Portuguese companies such as Azucarera del Guadalfeo (which used to work with Spanish sugar cane, but when domestic production ceased switched to imported raw cane sugar) and Azucarera. Smaller cane sugar refineries are found elsewhere.

In general, most refineries in the EU are still mostly focussed on processing nationally produced sugar beets. Refineries have national quotas, and therefore most EU countries have own sugar industries. Some companies, such as Danisco, operate on a regional basis, with production facilities in Denmark, Sweden, Finland and the Baltic States. Due to restructuring, some countries, such as Slovenia and Ireland have ceased (beet) sugar production altogether. In other countries production of (beet) sugar is decreasing, reflecting current domestic/EU needs. Large sugar refiners which are surviving restructuring are expected to broaden their distribution and buy additional quota. Moreover, most refineries will increasingly focus on cane sugar refining, as local sugar beet production decreases and is replaced by raw cane sugar imports. Visiting (multi)national refineries' websites already shows that most also have cane sugar lines, which are specifically marketed as such. It is expected that only a number of very large refineries will come to dominate conventional sugar markets. This makes the conventional market less accessible and less attractive for developing country producers of raw cane sugar, as quantities traded become increasingly large. However, it can be expected that refined cane sugar will also be increasingly imported.

Industrial users

End-industries process sugars into consumer food products. Some end-product manufacturers needing large quantities of these ingredients (on a regular basis), purchase their products directly from producers abroad. However, it is unlikely that manufacturing companies or retail companies themselves will be acting as buyers of these products from the country of origin. End-product manufacturers often prefer to use importers or agents.

Channels for certified cane sugar and whole cane sugar

Organic cane sugar is still mostly imported by importers of organic food ingredients. These often do not have a product focus, but focus on a broad range of organic food ingredients. These importers, such as Do-It, Tradin and Doens in The Netherlands, Care Naturkost, Worlee and Rapunzel in Germany, Claro Fair Trade in Switzerland and Moellhausen (only refined organic) in Italy generally do not apply any further processing to the product, but supply it directly to the industry and retail packers. Rapunzel and Gepa in Germany and Claro in Switzerland are Fair Trade suppliers, of which Rapunzel focuses on food ingredients. British traders are also increasingly focusing on Fair Trade, especially considering the very strong Fair Trade trend in the UK.

Next to this, specialised sugar trader/refiners, such as Billington's Ragus, and Tate & Lyle and to a lesser extent broader commodity traders, especially Napier Brown, have started organic and fair trade lines, or have a specific organic focus. With the increasing proportion of sugar consumed in the EU made from imported cane sugar, and the increasing penetration of certified sugar, the importance of specialised sugar trader/refiners and commodity traders in the certified trade is probably going to increase substantially. Large refineries which have organic lines also import directly from developing countries, although the organic sugar they produce mostly concerns beet sugar.

Useful sources

- Sugar Association of the United Kingdom: <http://www.sugartraders.co.uk/members.htm>
- Association des Organisations Professionnelles du Commerce des Sucres pour les Pays de l'Union Européene (ASSUC): <http://sugartraders.co.uk/assuc/>
- Sugar Web company listings: <http://www.sugarweb.co.uk/web/azindex/countries/europe/index.html>

3.2 Price structure

Honey

Retail prices of honey are generally 2.5 to 3 times higher than producer prices. The large difference between retail price and producer price is sometimes hard to understand when the process of getting the product from farm to retailer is unknown. It can even be demotivating. However, it is important to realize that there is still a long way to go before a farm product reaches a retailer in the EU. The often inefficient logistics in developing countries already add considerably to total costs of the final product and there are also transport costs, processing costs, labeling costs, etc. which need to be covered (Mike Jack of Four Seasons, 2007).

Table 3.1 presents an overview of the price structure of the FOB price for honey from a Mexican cooperation.

Table 3.1 Price structure of the FOB-price for 1 kg honey

Costing factors	Costs in €
Salary of coordinator	0.13
Administrative costs	0.06
Other commercial costs	0.03
Transport	0.09
Drums	0.10
Price for beekeeper	1.25
Total	1.66

Data are based on the costs of a Mexican cooperation for an average harvest of 60 tonnes in 2002.

Source: "Over Bijen en mensen" by Miel Maya Honing, 2003

The importer or packer pays the FOB price plus the costs of transport. The costs of sea freight for a container (20 tonnes) from Mexico to Antwerp amount to approximately € 1,000. This equals a value addition of € 0.05 to the price per kg. In the case of Maya Fair Trade, the costs for transport of the honey from the port of entry (Antwerp) to the warehouse of the importer is approximately € 250 per container or € 0.01 per kg. The margins for packing the honey and

distributing it to retailers is not transparent and thus unknown. The margin for the retailer is approximately 30% in the case of honey distributed by Maya Fair Trade (Benoit Olivier of Miel Maya Honing, 2007).

An interesting note can be made on value addition by labelling. Some honey packers in the EU, such as Four Seasons, prefer to put their own label on the products they import. They label the products according to the demands of the market in which they sell the product. It also increases their margin in the value chain. The advantage for small-scale exporters is cost-saving. Labelling small batches is expensive, whereas a company like Four Seasons can profit from the economies of scale.

Sugars

Production of raw sugar is expensive in the EU. The reference price for sugar beet is € 32.86 / tonne.

Currently, the reference price for white sugar is € 632 / tonne. The margins for the sugar companies in the EU are needed to cover costs of transport of the sugar beets to the sugar factory, the refining process and all the associated costs of logistics, services, etc.

The reference price for raw sugar is € 497 / tonne. This leaves a margin for EU refiners of raw sugar of € 135 / tonne. This margin will drop to only € 69 / tonne in the production year 2009/2010. Refer to Chapter 5 for more information on price developments.

Supply chains for sugar are very efficient in the EU. Large sugar companies have synchronized their operations with those of sugar beet growers. Moreover, they refine and distribute the sugar through highly standardized processes to minimize costs. In the case of sugars imported from developing countries, extra intermediaries and processes are needed between the moment of export and that of refining. Moreover, they are subject to import tariffs. Thus, final prices of refined cane sugar are similar to those of refined beet sugar, although cane sugar prices at the port of export (FOB) are much lower than the prices for beet sugar.

3.3 Useful sources

Names and websites of interesting players as well as sources to find those players can be found in the surveys covering the respective countries.

4 Trade: imports and exports

4.1 Total EU imports

Honey

**Table 4.1 EU imports of natural honey
2001-2005, € thousand / tonnes**

	2001		2003		2005		Average annual change in value
	value	volume	value	volume	value	volume	
Total EU25, of which from							
Intra-EU25	282,698	204,001	478,116	195,410	337,868	271,140	5%
Extra-EU25	82,478	42,535	133,246	44,978	145,539	122,438	15%
Developing countries	200,220	161,466	344,870	150,433	192,329	148,702	-1%
Bulgaria & Romania	147,280	127,997	241,599	112,604	159,828	132,901	2%
Of which from developing countries	682	545	1,465	682	73	40	-43%
	467	396	179	95	n.a.	n.a.	n.a.

Source: Eurostat (2007), UN Comtrade (2007)

The EU25 imported honey worth € 338 million in 2005, with a total volume of 271 thousand tonnes. Between 2001 and 2003, the value of imports increased by 69%, but between 2003 and 2005 imports decreased again by 29%. The import volume decreased only slightly from 204 thousand tonnes in 2001 to 195 thousand tonnes in 2003, then increased again to 271 thousand tonnes in 2005. The large increase in volume between 2003 and 2005 was mostly the result of the recovery of the German honey production, which had experienced a few bad harvests in the preceding years. The difference between development of value and volume is related to price changes. Due to the ban on Chinese imports and smaller production volumes in major producing countries like Germany in 2003, supplies of honey could not answer demand; higher prices were the result.

The leading importer within the EU is Germany. Germany accounted for 39% of total EU25 imports. German imports and the imports of the other major markets experienced the same fluctuations as those of EU25 imports in general. Between 2001 and 2003 they increased, but between 2003 and 2005 they decreased again. When comparing only figures from 2001 to those of 2005, the major growth markets for foreign suppliers were the UK and France, showing growth figures of 48% and 40% respectively.

Sugars

The sugar market is among the most distorted commodity markets in the world. In fact there is no genuine world market for sugar. 80% of sugar produced worldwide is never traded on an open market but consumed in closed off markets. The remaining 20% winds up on a world dump market, where government subsidies help producers sell surplus sugar below the cost of production, or/and it is traded by sugar and commodity traders (Sugar Alliance, 2007).

There is not a single sugar producing country in the world that does not have tariff, quota or farm/production based subsidy systems in place. However, the extent and method of market protection differs. A very informative source on government protection mechanisms is the Foreign Trade Subsidy Handbook of the American Sugar Alliance, available at <http://www.sugaralliance.org/files/docs/11252ASAHandbookv3.pdf>.

Although perhaps not the largest relative subsidiser of sugar, the sheer size of the EU market and production and, therefore, the extent of distortion of the global market caused by the EU sugar regime, have made it the prime target for WTO negotiations and third country litigation. However, thanks to the reforms of the regime, discussed in Chapter 1, more countries will gain increasingly easy access to the EU market, while EU beet sugar production decreases. This will dramatically change the supplier base of the EU, with protection for ACP countries becoming more limited and efficient and cheap producers increasing their share of the market. Within the EU, the reforms herald an increasing consumption of cane sugar products, but also industry consolidation, making the conventional market increasingly difficult for small conventional producers.

**Table 4.2 EU Imports of sugars
2001-2005, € million / tonnes**

	2001		2003		2005		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU25, of which from	1,224	4,802,757	1,100	4,329,458	1,167	3,536,994	-1%
Intra-EU	113	792,188	95	400,973	126	321,147	3%
Extra-EU	1,112	4,010,569	1,005	3,928,485	1,041	3,215,847	-2%
Developing countries	1,098	3,839,548	982	3,599,895	1,029	3,101,278	-2%
Total Romania & Bulgaria*	194	744,871	122	692,186	147	772,808	-7%
Of which from developing countries	193	741,413	122	692,035	147	772,662	-7%

*Figures for Romania and Bulgaria only include raw cane sugar and not the molasses

Source: Eurostat (2007), UN Comtrade (2007)

EU25 sugar imports decreased slightly in terms of value between 2001 and 2003 and then increased again between 2003 and 2005. In terms of volume, imports decreased continuously between 2001 and 2005. This was mainly due to decreasing imports of cane molasses which will be further explained in the next section. It is not possible to compare these figures directly with the consumption and production figures given in chapters 1 and 2, as those represent refined (white) sugar. However, refined sugar is made from raw sugar and the markets for refined sugar and raw sugar (for refining) are thus strongly related. The next section will show that imports of raw sugar for refining remained relatively stable. Moreover, imports of refined sugar increased. This is in line with the slightly increasing consumption of white sugar and the stable EU production.

The consolidation of the EU sugar industry will have an immediate effect on internal EU trade, as the surviving sugar refiners are expected to broaden their distribution and buy additional quota. It is expected that a limited number of very large refineries will come to dominate conventional sugar markets. External trade will likewise evolve towards increasing economies of scale (USDA FAS, 2007).

For example Tate & Lyle, one of the world's leading sugar refiners, by itself, accounts for 90% of raw cane sugar imports into the EU. Next to this, Nordzucker AG of Germany, Cristal Union of France and E.D. & F. Man of the UK recently announced the formation of Eurosugar, a jointly owned trading company based in Paris. The new company will be the second largest distributor in the EU, handling an estimated 2.5 million tonnes of raw sugar a year.

For more information on imports of sugars by individual member states, refer to the surveys covering the respective countries.

4.2 EU imports per product group

**Table 4.3 EU25 imports and leading suppliers for honey
2001 - 2005, share in % of value**

	2001 € mln	2003 € mln	2005 € mln	Leading suppliers to EU25 in 2005 Share in %	Share (%)
Total EU25, of which from Intra-EU	283	478	338		
Extra-EU ex. DC*	82	133	146	Germany (16), Hungary (9), Spain (5), Romania (3), Italy (2)	43
DC*	53	103	32	New Zealand (2), Australia (2)	10
	147	242	160	Argentina (23), Mexico (6), Brazil (4), Chile (3), Uruguay (2), India (2), Cuba (2), China (1)	47

Source: Eurostat (2007)

*Developing countries

Leading suppliers of honey are Argentina, Germany and Hungary. Germany is a major re-exporter of honey. Particularly in 2005, it exported far more honey than it produced. Other leading developing country suppliers are Mexico, Brazil and Chile. Mexico and Chile are also leading suppliers of Fair Trade honey. Developing countries together supply almost half of the EU25's total honey imports. Argentina and Germany have both consolidated their market share. They have become even more important than before. However, in 2006, a ban was imposed on honey supplies from Argentina. Although the ban is not expected to have damaged Argentina's reputation as badly as China's reputation was damaged due to the ban, it will take some time before supplies have completely recovered. Moreover, the ban on honey from Argentina temporarily boosted imports from other producers in that region.

China was the second largest supplier of honey to the EU25 in 2001. However, due to problems concerning food safety as were discussed in Chapter 1, China lost most of its market share and was only a minor supplier in 2005. According to the latest information, its supplies to the EU are increasing again, now that the ban has been lifted and trust is being restored.

With production in East Europe increasing and the new opportunities offered by accession to the EU, East European countries are expected to become increasingly important for honey imports by other EU countries. Imports from the new EU countries are particularly interesting for small importers, such as Mellidor in France, as transport costs are much lower than for imports from developing countries.

**Table 4.4 EU25 imports and leading suppliers for raw cane sugar for refining
2001 - 2005, share in % of value**

	2001 € mln	2003 € mln	2005 € mln	Leading suppliers to EU25 in 2005 Share in %	Share (%)
Total EU25, of which from Intra EU	833	789	819		
Extra EU ex. DC*	0	1	2		0
DC*	833	788	817	Mauritius (32), Fiji (11), Guyana (10), Swaziland (10), Jamaica (8), Zimbabwe (4), Belize (3), Trinidad & Tobago (2), Brazil (2), Barbados (2)	100

Source: Eurostat (2007)

*Developing countries

According to import value, raw cane sugar for refining is the major product in the group of sugars. Between 2001 and 2005, it was mainly supplied by developing countries with preferential access to the EU as laid down in the Sugar Protocol. The Sugar Protocol is an agreement between the EU and the ACP countries on the supply of sugar from the ACP

countries to the EU at guaranteed prices. These prices are in practice equal to the prices which EU producers received. As a result of the sugar regime reform, the guaranteed prices for sugar from ACP countries will decrease significantly from 2008 onwards. From then on, ACP countries will only be able to get preferential access through the Everything But Arms Treaty. As part of this treaty, which also covers many other products, import tariffs for sugar from Lesser Developed Countries (LDCs) are being phased out between 2006 and 2008 (Traidcraft, 2007). Until 2008, when the import tariffs for LDCs will be completely removed, the ACP countries can still profit from the Sugar Protocol.

Table 4.5 List of Least Developed countries (LDCs) and their membership in the ACP group

ACP LDCs	ACP LDCs	ACP LDCs	ACP LDCs	non-ACP LDCs
Angola	Equatorial Guinea	Madagascar	Sierra Leone	Afghanistan
Benin	Eritrea	Malawi	Solomon Islands	Bangladesh
Burkina Faso	Ethiopia	Mali	Somalia	Bhutan
Burundi	Gambia	Mauritania	Sudan	Cambodia
Cape Verde	Guinea	Mozambique	Tanzania	Laos
Central African Republic	Guinea-Bissau	Niger	Togo	Maldives
Chad	Haiti	Rwanda	Tuvalu	Myanmar
Comoros	Kiribati	Samoa	Uganda	Nepal
Democratic Republic of Congo	Lesotho	Sao Tomé and Príncipe,	Vanuatu	Timor-Lesté
Djibouti	Liberia	Senegal	Zambia	Yemen

Source: European Commission, June 2007 (<http://www.un.org/special-rep/ohrls/ldc/list.htm>)

Although the negative impact on their exports to the EU25 are not yet visible in the above Tables, there is already one notable country in respect to this development. Brazil is listed among the leading suppliers to the EU25. Brazil is not an ACP country, but has been able to gain a 2% share in EU imports of raw cane sugar. Due to its low prices, it gained a 0.4% higher share in EU25 imports between 2001 and 2005. The reform of the EU sugar regime will cause even faster increases in Brazil's share and it is expected to become the principal supplier after reforms are fully implemented.

Table 4.6 EU25 imports and leading suppliers for raw cane sugar which is not for refining, 2001 - 2005, share in % of value

	2001 € mln	2003 € mln	2005 € mln	Leading suppliers to EU25 in 2005 Share in %	Share (%)
Total EU25, of which from Intra EU	112 49	131 65	185 99	France (17), UK (11), Belgium (8), Portugal (7), Germany (4), The Netherlands (4)	53
Extra EU ex. DC*	1	2	2	Mauritius (20), Malawi (10), Brazil (8), Paraguay (2), Madagascar (1), Argentina (1)	1 46

Source: Eurostat (2007)

*Developing countries

EU25 imports of raw cane sugar which will not be further refined increased by 13% annually between 2001 and 2005. Much of this growth was realized by the Northwest European countries (France, UK, Belgium, Germany and The Netherlands). This is an interesting development for developing country suppliers as the Northwest European countries do not produce raw cane sugar themselves and are thus re-exporting raw cane sugar which originates mainly in developing countries.

Table 4.7 EU25 imports and leading suppliers for cane molasses 2001 - 2005, share in % of value

	2001 € mln	2003 € mln	2005 € mln	Leading suppliers to EU25 in 2005 Share in %	Share (%)
Total EU25, of which from Intra EU	280 63	179 29	164 25	UK (4), Belgium (3), Germany (2), The Netherlands (2) USA (6)	15 6
Extra EU ex. DC* DC*	14 203	20 130	10 128		

Source: Eurostat (2007)

*Developing countries

EU25 imports of cane molasses decreased sharply between 2001 and 2005. Large price increases made it unattractive for many industries to import molasses. These price developments will be further explained in Chapter 5. Particularly the supply of molasses from Pakistan, the leading molasses supplier, decreased sharply in 2005. Pakistan has redirected a large part of its exports of molasses to India.

Organic

The United Kingdom, Germany and The Netherlands are the main countries importing organic cane sugar. However, the UK's role is far less prominent than for conventional cane sugar (where it accounts for around 55% of total imports in 2005). Principal organic traders are located in The Netherlands and Germany. Due to the increasing market entry of conventional (UK) traders in the cane sugar trade, this situation might change in favour of the UK. Italy also imports a small amount directly, while France and Spain rely on other EU countries for their supply of organic sugar. Organic raw cane sugar imports are growing, following the general growth in organic markets.

Important to note is that organic traders in the EU also play a role outside the EU. For example, one of the principal traders, Tradin, also works with US buyers. Therefore, the imported volume of organic cane sugar may be larger than EU domestic consumption. All three major importing countries serve as re-exporters to non-EU buyers.

Leading importers of organic sugar are the UK, The Netherlands, Germany and France. Organic sugar is mainly produced in South America, in particular in Paraguay, Brazil and Colombia. Other leading suppliers of organic sugar are Mauritania, the Philippines, Dominican Republic and Malawi (Mercado Europeo de azúcar orgánico & comercio justo, FIBL, 2007).

4.3 The role of developing countries

Honey

Table 4.8 Imports of honey from developing countries 2001-2005, € thousand / tonnes

	2001		2003		2005		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU25	147,280	127,997	241,599	112,604	159,828	132,901	2%
Germany	87,606	72,709	152,566	71,141	92,447	73,145	1%
United Kingdom	19,600	19,266	27,913	12,494	20,098	18,037	1%
Spain	12,826	12,373	14,475	7,255	11,599	11,779	-2%
Italy	8,677	7,504	17,753	7,927	9,518	8,872	2%
Belgium	7,368	6,720	6,887	3,414	6,803	4,833	-2%

	2001		2003		2005		Average annual % change in value
	value	volume	value	volume	value	volume	
France	1,641	1,348	7,199	3,097	6,693	5,840	42%
Poland	0	0	0	3,412	3,204	n.a.	n.a.
The Netherlands	2,607	1,798	1,968	850	2,337	2,019	-3%
Austria	1,496	1,234	2,428	967	1,960	1,259	7%
Denmark	2,966	2,766	4,507	2,103	1,558	1,133	-15%
Ireland	1,149	971	1,248	562	1,325	1,065	4%
Finland	377	315	639	311	377	326	0%
Slovakia	0	0	321	184	357	336	n.a.
Sweden	206	133	438	171	237	176	4%
Lithuania	29	40	0	0	234	165	68%
Czech Republic	228	335	1,729	1,332	233	246	1%
Latvia	9	17	49	45	141	124	99%
Greece	22	27	67	31	136	101	58%
Portugal	348	313	549	247	132	90	-21%
Cyprus	2	2	0	0	92	77	172%
Malta	3	1	11	4	58	30	119%
Estonia	28	44	129	93	56	36	19%
Slovenia	53	43	164	62	24	8	-18%
Hungary	40	40	558	313	0	0	-83%
Luxembourg	0	0	0	0	0	0	0%
Romania	400	362	178	93	18	16	-54%
Bulgaria	67	34	1	2	n.a.	n.a.	n.a.

Source: Eurostat (2007), UN Comtrade (2007)

By far the leading importer of honey from developing countries is Germany, accounting for 58% of total EU honey imports from developing countries. Other major markets for honey from developing countries according to their share in total EU imports from developing countries, are the UK (13%), Spain (7%) and Italy (6%).

In general, imports of honey from developing countries by EU countries were stable between 2001 and 2005. Notable is the strong increase in imports by France. Since 2001, France is not only importing more honey, it has particularly increased honey imports from developing countries.

One of the developing countries from which imports to the EU are expected to increase is Ethiopia. Ethiopia was due to submit a Residue Monitoring Plan (RMP) to the EU for approval by 31 March 2007.

Fair Trade

Fair Trade certified (FLO) honey is supplied by Mexico, Guatemala, Chile, Nicaragua, Argentina and Zambia. The Fairtrade certified honey coming from Africa (Zambia) is supplied by the company North Western Beekeepers.

Sugar

Table 4.9 Imports of sugars from developing countries 2001-2005, € thousand / tonnes

	2001		2003		2005		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU25	1,097,713	3,839,548	981,806	3,599,895	1,029,127	3,101,278	-2%
United Kingdom	684,989	1,533,496	615,387	1,354,058	660,337	1,475,824	-1%
Portugal	146,722	372,951	147,280	337,700	150,394	343,941	1%

	2001		2003		2005		Average annual % change in value
	value	volume	value	volume	value	volume	
France	64,914	241,294	52,916	330,555	66,723	237,529	1%
Spain	22,908	262,631	22,986	326,846	28,346	235,466	5%
Finland	35,839	74,658	41,603	82,156	26,295	51,375	-7%
The Netherlands	64,839	657,627	21,804	323,037	24,947	250,071	-21%
Italy	18,108	163,303	18,125	224,321	19,180	157,584	1%
Belgium	18,591	148,340	23,364	231,038	17,116	109,558	-2%
Germany	17,107	147,404	12,518	100,836	14,888	78,029	-3%
Ireland	11,227	125,156	9,617	129,032	9,718	102,016	-4%
Lithuania	0	0	773	7,930	4,435	26,977	1234%
Denmark	8,305	85,959	6,401	102,294	3,666	27,230	-18%
Austria	796	1,036	1,127	1,458	1,588	2,071	19%
Sweden	462	499	891	1,062	702	923	11%
Greece	2,649	24,853	1,508	18,577	278	340	-43%
Slovenia	195	204	5,267	28,204	139	466	-8%
Czech Republic	48	130	200	749	145	229	32%
Poland	0	0	0	0	144	188	n.a.
Hungary	0	0	13	22	67	1,436	n.a.
Cyprus	2	1	4	7	18	21	75%
Malta	8	5	11	8	1	4	-39%
Slovakia	1	0	4	2	0	0	-100%
Latvia	0	0	1	0	0	0	-100%
Estonia	1	1	7	4	0	0	-100%
Luxembourg	0	0	0	0	0	0	0%
Romania*	139,381	506,546	79,578	436,044	91,513	460,799	-10%
Bulgaria*	53,863	234,867	42,354	255,991	55,333	311,863	1%

*Figures for Romania and Bulgaria only include raw cane sugar and not the molasses

Source: Eurostat (2007), UN Comtrade (2007)

Developing countries have a prominent role in the supplies of sugars to the EU. The UK is the main importer. Approximately 64% of sugars destined for the EU market is imported by the UK. A particularly important company in the UK sugar industry is Tate & Lyle, which has the world's largest cane sugar processing facility.

Between 2001 and 2005, no remarkable developments took place in the top three leading EU25 importers, which account for 85% of total EU imports. This is expected to change due to the reformed EU sugar regime, which has already been discussed in previous sections. Sugar production will basically concentrate in the most competitive regions and include more cane sugar from developing countries.

Interesting to note is that the new EU member states Romania and Bulgaria are both large importers of raw cane sugar from developing countries. Although figures for these countries are not directly comparable to those of the EU25 countries, as they come from different sources, it is clear that they belong to the top 5 importers of raw cane sugar in the EU. Romania and Bulgaria are actually two of the few countries in the EU which lack a strong sugar industry and therefore need to import large amounts of sugar to satisfy domestic demand.

Fair Trade

Developing countries supplying Fair Trade certified (FLO) sugar are Costa Rica, Malawi, Paraguay, Peru and the Philippines.

For more information on imports per product group by individual member states refer to the surveys covering the respective countries.

4.4 Exports

Honey

**Table 4.10 EU Exports of natural honey
2001-2005, € thousand / tonnes**

	2001		2003		2005		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU25, of which from							
Intra-EU	133,773	67,957	218,555	70,064	175,599	71,754	7%
Extra-EU	110,520	58,386	183,700	59,680	152,709	65,449	8%
Developing countries	23,253	9,570	34,856	10,384	22,890	6,305	0%
Romania & Bulgaria	8,428	2,975	8,586	2,477	7,273	2,110	-4%
	13,272	10,250	36,843	16,086	15,954	10,258	5%

Source: Eurostat (2007), UN Comtrade (2007)

Germany is the largest exporter of honey in the EU. Note that these exports consist for a significant part of re-exports. In comparison, the exports of Hungary and Spain consist for a larger part of domestic production.

In terms of value, exports by the EU increased strongly between 2001 and 2003 and then decreased again between 2003 and 2005. However, this development was mainly the result of high prices during the ban on Chinese honey. In terms of volume, exports only increased at a moderate rate.

Sugars

**Table 4.11 EU Exports of sugars
2001-2005, € thousand / tonnes**

	2001		2003		2005		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU, of which from							
Intra-EU	87,447	508,966	81,324	440,404	96,137	284,107	2%
Extra-EU	80,999	480,298	76,268	417,717	89,703	272,599	3%
Developing countries	6,447	28,668	5,056	22,687	6,434	11,508	0%
Bulgaria	536	377	798	9,900	681	512	6%
	5	10	n.a.	n.a.	12	28	24%

*Figures for Romania and Bulgaria only include raw cane sugar and not the molasses

Source: Eurostat (2007), UN Comtrade (2007)

France is the largest exporter of sugars in the EU, accounting for 33% of total EU25 exports. Note that these exports are re-exports, as France does not produce any cane sugar.

Between 2001 and 2005, EU25 exports of sugars increased moderately, reflecting the higher domestic production which caused a small oversupply.

4.5 Opportunities and threats

Honey

- + Between 2001 and 2005, the value of net imports (imports minus exports) increased by 2% and the volume of net imports increased by 10%. This was mainly the result of increasing imports, which offers opportunities for developing country suppliers.
- Although honey imports increased, there have also been threats to honey imports. The multiple bans on honey imports since 2001 show that the EU is very strict regarding its policy on food safety. Any country aiming to export to the EU should therefore have a strict quality control system (Residue Monitoring Plan) in place.
- +/-Note that the ban on Chinese honey also had a positive effect for the competitors of China. Due to the ban, trust in Chinese honey was seriously harmed. Importers have therefore turned away from Chinese honey and now favour alternative sources. However, trust is currently being restored.
- The accession of East European countries to the EU, particularly Romania and Bulgaria, has introduced a new threat to supplies from developing country suppliers. A number of these EU countries export considerable quantities of honey and their accession to the EU has made it easier to export to the EU. The increasing production in these countries might lead to significantly higher exports to other EU countries.

Sugars

- + The most notable opportunity when looking at the import figures for the period 2001-2005 is the increase in the price for molasses as a result of smaller supplies coupled with a stable demand. Although this mainly concerns the feed and ethanol industries it is also expected to have a positive impact on the market for molasses as a specialty sugar.

Of course, the major opportunities and threats for developing country exporters of sugars stem from the reform of the EU sugar regime:

- + The opening up of the EU sugar market for extra-EU countries without preferential access will offer very good opportunities for large -scale exporters in those countries.
- However, smaller exporters will probably not be able to profit from the improved access as they are unable to supply the large quantities needed by the EU importers. In fact, the expected increase in EU cane sugar imports is likely to have a negative impact on the market for specialty sugars. It will make the current specialty cane sugars less special. Raw cane sugar will probably lose some of its value.
- Moreover, the reform is particularly threatening to exporters in the ACP countries which lose much of their comparative advantage, as their preferential access becomes obsolete.

4.6 Useful sources

- EU Expanding Exports Helpdesk
→ <http://export-help.cec.eu.int/>
→ go to: trade statistics
- Eurostat – official statistical office of the EU
→ <http://epp.eurostat.cec.eu.int>
→ 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'

5 Price developments

5.1 Price developments

Honey

The quality and origin of the honey are major factors in price setting. For example, global market prices for low-quality industrial honey lie between £ 500 and £ 800, while table honey, which is generally of higher quality fetches higher prices of £ 800 to £ 1500 (David Wainwright of Tropical Forest Bee Products Ltd., 2007). Regarding origin, China supplies the lowest-priced honeys. Argentinean honey takes a middle position. The honeys from Mexico and Australia fetch the highest prices in international trade (EPOPA study: Export opportunities for African organic honey and beeswax; 2006).

The prices of internationally traded honey have fluctuated dramatically over the last five years. The most important reason for the fluctuation was the embargo on the imports of Chinese honey into the European Union. Low demand kept honey prices relatively low in 2005.

Increased demand and a ban on Brazilian supplies, which have been growing and accounted for 4% of total EU imports in 2005, led to increased prices in 2006. In early 2007, prices had decreased slightly, compared to 2006.

Table 5.1 Import prices of honey, April 2007, €/mt (CIF main European port)

	Settlement close	2007 High	2007 Low
Chinese white	1,305	1,361	1,283
Chinese extra light amber	1,291	1,343	1,268
Chinese light amber	1,276	1,305	1,231
Mexican Yucatan	1,552	1,772	1,455
Mexican Orange Blossom	1,710	1,710	1,678
Argentinean 25mm	1,473	1,473	1,347
Argentinean 34mm	1,451	1,451	1,320
Argentinean 50mm	1,440	1,440	1,309
Argentinean 85mm	1,391	1,391	1,261
Australian extra light/light amber	n.a.	1,783	1,734

Source: Public Ledger (April 2007)

Organic honey is valued more highly than conventional honey of the same quality, and the price premium ranges from € 160 to € 235 per tonne. Although detailed price information on organic honey is unavailable, the wholesale price for organic honey is just under £ 3 per kg in the UK according to Mike Jack of Four Seasons. In the near future, the price development of organic honey will be heavily influenced by the amount of supply. A substantial amount of the honey production area in Brazil is already certified organic. Some importers think that Brazil intends to further expand the area of certified organic production and thereby strengthen its position as a supplier of organic honeys. This development will put pressure on the price premium for organic honey (EPOPA study: Export opportunities for African organic honey and beeswax; 2006).

The price of Fair Trade honey is laid down in the Fair Trade standards for the production and trade of honey. Producers receive a price for their honey based on its quality and nature. The price consists of a Fair Trade minimum price and a Fair Trade premium.

Table 5.2 Prices of Fair Trade honey (€/kg)

	Fair Trade minimum FOB price	Fair Trade premium	Total Fair Trade price	Organic premium	Total Fair Trade organic price
A-grade	1.37	0.11	1.49	0.11	1.60
B-grade	1.26	0.11	1.37	0.11	1.49

*Currency was converted from US\$ to € at the exchange rate of December 1 2005: 1 US\$ = 0.76272 €

Source: FLO, 2005

Sugar

The EU sugar prices are independent from global market prices. They are set by the European Commission and laid down in legislation EC/1260/2001. Since 1993/1994, the European Commission has frozen the intervention price at € 631.90 per tonne for white sugar and € 523.70 for raw sugar. Import duties and restriction of available quantities have kept prices even above these intervention prices. Meanwhile, the average global market price for sugar stood at approximately € 200, or less than one third of the price in the EU.

Table 5.3 Reference prices for white sugar in the EU, 2005/2006 – 2010/2011, in € per tonne

	2005/06	2006/07	2007/08	2008/09	2009/10
Reference price	631.90	631.90	631.90	541.10	404.40
Reduction in sugar price (%)	0.0%	0.0%	0.0%	14.3%	36.0%
Minimum sugar beet price	43.63	32.86	29.80	27.83	26.29

Source: European Commission, 2006

Table 5.4 Reference prices for raw sugar, in €

	2006/07	2007/08	2008/09	2009/10
Reference price	496.80	496.80	448.80	335.20
Reduction in raw sugar price (%)	0.0%	0.0%	9.7%	32.5%
EU refining margin	135.10	135.10	92.70	69.20

Source: Danisco, 2007

The African, Caribbean and Pacific (ACP) countries had preferential access to the EU. Due to the reform of the EU sugar regime, prices of sugar from these countries will decrease significantly as well. However, the Everything But Arms (EBA) agreement will partly compensate for this.

Organic

Organic products are traded at a premium compared to conventional products, to compensate for higher production and marketing costs. However, imbalances in supply and demand on small organic markets make organic prices very volatile. This explains why prices for organic sugar have fluctuated in recent years even though demand increased steadily. In 2005, prices for organic white sugar reached a very low level, which was only slightly higher than conventional sugar. However, price levels also depend on the type and quality of the sugar. For example, prices for organic raw cane were much higher. Industry sources indicated that general prices for organic sugar were higher again in 2007 and that import prices for organic unrefined cane sugar hovered between € 420 and € 460 per tonne.

Fair Trade

Fair Trade sugar receives a price premium for the Fair Trade conditions under which the sugar is produced and traded. The Fair Trade Labelling Organisation works with both Fairtrade minimum prices which are based on costs of sustainable production and with Fairtrade premiums. The Fair Trade premium is designated for social and economic development in the producing community.

Table 5.5 Minimum Fair Trade prices (FOB) for FLO certified sugar producers, in €/tonne

Quality of sugar	Price
Raw sugar	380
White sugar	410
Whole raw sugar	510

Currency converted with an exchange rate of € 1 = \$ 1.275532 (May 2006).

Country-specific conditions have been set for Malawi, Mauritius, Paraguay and Zambia

Source: Fairtrade Labelling Organisation, May 2006

The Fair Trade premium for organic certified sugar is approximately € 90/tonne.

5.2 Useful sources

- Public Ledger's Commodity Week: <http://www.public-ledger.com>
- European Commission Infopack: http://ec.europa.eu/agriculture/capreform/sugar/infopack_en.pdf
- Fairtrade Labelling Organisation (FLO): <http://www.fairtrade.net>

6 Market access requirements

As a manufacturer in a developing country preparing to access EU markets, you should be aware of the market access requirements of your trading partners and the EU governments. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select honey and sugars and the EU in the category search, click on the search button and click on market access requirements.

Packaging

Honey

Honey from outside the European Union is usually imported in bulk, in standard epoxy-lined steel drums which can contain 200 liters / 300 kg of honey. Phenol, which was previously used for the lining of the drums is now prohibited, as it is dangerous to human health. The drums used in the honey trade are specially produced for carrying foodstuffs. They cost about € 30 to € 40 (including transport). Many importers demand that the honey is delivered in new drums. There are reports of the use of plastic containers, but these are not commonly used. Importers often have requirements regarding the minimum batch size as well. Most of them prefer to have full containers, while some of them allow LCL (lesser container load) conditions. The drums have to be sealed hermetically with a plastic lid.

One importer mentioned preferring a minimum batch size of four to five tons, while other importers only imported batches of 20 tonnes or more (the equivalent of a full container using 300 kg drums). Preferred batch sizes are often related to transport costs. When transport costs are high, as is the case for honey from developing countries, batch sizes become larger. The value of the honey is also an important factor of influence on the minimum batch size, as relative costs of transport are lower for more expensive honeys. Organic, Fairtrade certified (FLO), monofloral honey for example will be accepted in smaller volumes.

Industrial users of honey require different packaging methods from honey destined for consumers. These methods vary from full truckloads of 25,000 kg (for food industry and honey packers), "cubitainers" of 10,000 kg, and drums of 300 kg, to plastic buckets of 25 kg or 12.5 kg.

Honey sold in retail stores is often packed in glass jars with a screw cap. The sizes of these jars vary from approximately 250 grams to 1,000 grams. Some creamed honeys may also be packed in a carton jar with a carton top. The squeeze bottle was introduced a few years ago and has proven to be a success. This type of packaging reduces the risk of sticky fingers when using honey (EPOPA study: Export opportunities for African organic honey and beeswax; 2006).

Note that filling the honey into consumer packages is done by importers, mainly to save on transport costs. However, this is often favourable to exporters as well as retail packaging requirements in the EU are high and appropriate packaging materials are not always available in developing countries. A good example of high-end packaging is that of Manuka honey from New Zealand. Manuka honey has a retail price of around US\$ 19 and derives much of its value from its packaging and the story behind it (Vip Kumar of Walter Lang, 2007).

Sugar

Raw cane sugar and refined sugar is transported both as bulk cargo and as break-bulk cargo. Raw cane sugar as break-bulk cargo is packaged in paper bags or bags of woven natural

materials (e.g. jute) or polypropylene bags with a polyethylene inner bag which is impermeable to water vapour and provides protection from contamination. Common packaging sizes are 25 and 50 kg. Large industrial users also use bags of 1000 kg. The bags are loaded on pallets to make them easier to transport.

Common quantities in the bulk trade of raw cane sugar, which will not be refined, are a few hundred tonnes (Candico, 2007).

Retail packaging is mostly made of paper and contains 1 kg of sugar. Premium sugar is often packaged in carton boxes of 1 kg.

Additional information on packaging can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packaging/packit.htm>

Labelling

Minimum labelling requirements for both honey and sugars:

- product name
- identification (name and address) of supplier (producer, packer or vendor)
- identification (name and address) of manufacturer/exporter
- batch number
- net quantity kg
- storage life
- recommended storage conditions

Certification is becoming more important in the EU market, to guarantee certain qualities of the product. However, certification costs are often a barrier for small producers in developing countries. The travelling costs of the inspector are relatively high for small and remotely situated producers and sometimes account for a large part of total certification costs.

The investments needed to improve production to obtain certification are often high. However, costs associated with the annual renewal of certification are negligible. After achieving the required production standards certification is not a major cost factor.

Consumers have to make their initial purchasing decision based on the information a label provides. The label has a major influence in the first stage of perception. However, consumers generally try different types of honey and tend to stick with a product only when they like the taste and the story behind it. It is especially the story which is a potential strength of honeys from developing countries. Subjects such as organic production, sustainable production, economic development of poor people, etc. appeal to many EU consumers (David Wainwright of Tropical Forest Bee Products Ltd., 2007).

Fair Trade

Labelling is extremely important in the Fair Trade and organic markets. Without a clear label on the packaging certifying that the product is Fair Trade or organic, it does not matter if it is Fair Trade or organic or not. Consumers will only become aware of the fair trade or organic aspect if it is stated on the label. The most widely recognized Fair Trade labels are the label of the Fair Trade Labelling Organisation (FLO) and the FTO label of the International Fair Trade Association (IFAT). It is important to note that the FTO label is only available to organizations. It can not be used on labels of products. The FLO label can be put on the product if it is certified. If the product is organic, this can be mentioned on the label. It can also be useful to put the logo of the certifier on the label.

Information on tariffs and quota can be found at <http://export-help.cec.eu.int/>

7 Opportunity or threat ?

Honey

The EU is by far the world's largest market for honey. Moreover, it is not self-sufficient but needs to import very large amounts of honey from extra-EU countries. This clearly offers opportunities for developing country exporters of honey. However, in the previous chapters, information has also been given on developments which provide opportunities for some exporters and threats to others. As an exporter, you will need to analyse if the development provides an opportunity or a threat for your business. This will depend on your specific situation.

Most small honey exporters will aim to supply honey for direct consumption as opposed to the industrial market. The market for honey for direct consumption generally offers higher prices and requires smaller quantities. However, the market for direct consumption can be further divided into segments. The segments offering you the best opportunities and the segment posing the worst threats depends on your situation.

Take, for example, the trend towards specialist variety honeys. The conditions required to produce a good monofloral honey are not available to every producer. The bee colonies need to have access to monocultures of plants or trees which provide a nectar from which an attractive tasting honey can be produced. Moreover, the beekeeper has to be able to control that the bee colonies get their nectar solely from these monocultures. Beekeepers for whom it is not possible to produce under these conditions will not be able to profit from the increased demand for monofloral honeys. It might even become a threat to producers of honey who promote the place of origin of their honey. As consumers start to pay more attention to the floral origin of honeys, they might lose interest in the place of origin. Moreover, monofloral honeys might stimulate consumer interest in tracking and tracing in the honey sector. This could become a threat to producers of multifloral honey, for which it is not possible to determine the exact sources of the nectar. However, it is unlikely that monofloral honeys will come to dominate the honey market.

Two other promising segments are the organic and Fair Trade markets. Notable is that sales in both of these segments rely on consumer concern about production characteristics, which do not influence the properties of the product itself (assuming that interest in organic products stems from environmental concerns instead of health concerns). This indicates that Corporate Social Responsibility (CSR) is becoming more important. However, consumers need proof to verify claims on CSR issues, such as organic certification or Fair Trade labels. If your company is unable to attain certification, the CSR movement might even become a threat.

Sugars

The EU sugar market is a highly consolidated commodity market, which is dominated by large companies. These companies trade in very large volumes at very low prices. It has already been stressed that smaller exporters will need to find niche markets for their products, in which smaller volumes are traded with higher prices. Exporters of raw cane sugar, for example, will find better opportunities in the market for specialty sugars than in the market for raw sugar which will be further processed into white sugar.

A clear example of a development in the EU sugar market which provides an opportunity for some exporters and a threat to others, is the reform of the EU sugar market. This development which has already been discussed in detail, is an opportunity for exporters of low-priced sugar in countries other than the ACP countries, but a threat to exporters from the ACP countries. It is expected that a new balance between imports and domestic supply will be found soon after the reforms. The declining production in the EU will mainly be compensated for by supplies from Brazil and other major sugar producing countries. The consequences for smaller exporters are not as straightforward. It has been mentioned that raw cane sugar might lose some of its status as a specialty sugar. As imports of raw cane sugar will increase, it is likely

that competition in the consumer market for unrefined cane sugar will increase as well. It will become extra important for small exporters to distinguish themselves by organic certification or Fair Trade labelling.

Appendix A Product characteristics

Product groups

Honey

According to the Codex Alimentarius, the definition of honey is as follows: Honey is the unfermented, natural sweet substance produced by honeybees from the nectar of blossoms or from secretions of living parts of plants or excretions of plant-sucking insects on the living parts of plants, which honeybees collect, transform and combine with specific substances of their own, store and leave in the honey comb to ripen and mature. Honey shall not have any objectionable flavour, aroma or taint absorbed from foreign matter during its production, harvesting, processing and storage and shall not contain natural plant toxins in an amount that may constitute hazard to health.

Sugars

Sugars are made out of two types of raw materials: sugar beet and sugar cane. The first is only produced in moderate climate zones while most developing countries are located in the (more) tropical climate zones. For this reason, raw beet sugar has been excluded from this survey.

Raw cane sugar is the sediment which results from the processing of sugar cane juice. Although most of the raw cane sugar is traded in large volumes, there are interesting opportunities for small producers in the market for culinary raw cane sugars.

Refined sugar is the result of further processing of raw sugar. In the EU, nearly all member states manufacture their need for refined sugar domestically. Very little import takes place. Consequently, refined sugar is not an interesting product for developing countries to export to the EU. Nevertheless, consumption and production of refined sugar are discussed to give an indication of the general EU market for sugars in the EU.

Molasses are by-products of the production of refined sugar. Molasses are mainly supplied to the feed and ethanol industries in large volumes. However, there are niche markets for molasses, which are meant for human consumption. These niche markets offer interesting opportunities for small developing country exporters.

Statistical product classification

Combined nomenclature (CN)

This survey uses trade data based on the Combined Nomenclature. The data are provided by Eurostat, the statistical body of the EU. The abbreviation CN stands for Combined Nomenclature. This Combined Nomenclature contains the goods classification prescribed by the EU for international trade statistics. The CN is an 8-digit classification consisting of a further specification of the 6-digit Harmonised System (HS). HS was developed by the World Customs Organisation (WCO). The system covers about 5,000 commodity groups, each identified by a six-digit code. More than 179 countries and economies use the system.

The following table shows the HS codes which cover the products in this market survey.

HS code	Product description
040900	Honey, natural
170111	Raw cane sugar
17011110	Raw cane sugar for refining
17011190	Raw cane sugar, not for refining
170191	Refined cane or beet sugar, containing added flavouring or colouring, in solid form

170310	Cane molasses from extraction or refining of sugars
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The HS classification only differentiates to a limited extent. For example, there is no breakdown in the coding for the different types of honey (acacia, orange blossom, etc.) or raw cane sugar (panela, demerara, muscovado, etc.). As far as possible, qualitative information has been provided in this survey to elaborate on these differences.

Statistical data: limitations

Trade figures quoted in CBI market surveys must be interpreted and used with extreme caution.

In the case of intra-EU trade, statistical surveying is only compulsory for exporting and importing firms whose trade exceeds a certain annual value. The threshold varies considerably from country to country, but it is typically about € 100,000. As a consequence, although figures for trade between the EU and the rest of the world are accurately represented, trade within the EU is generally underestimated.

Furthermore, the information used in CBI market surveys is obtained from a variety of sources. Therefore, extreme care must be taken in the qualitative use and interpretation of quantitative data, it puts limitations to in-depth interpretation of relations between consumption, production and trade figures within one country and between different countries.

Appendix B Introduction to the EU market

The European Union (EU) is the current name for the former European Community. Since January 1995 the EU has consisted of 15 member states. Ten new countries joined the EU in May 2004. In January 2007 two more countries – Bulgaria and Romania - joined the EU. Negotiations are in progress with a number of other candidate member states. In this survey, the EU is referred to as the EU27, unless otherwise stated.

Cultural awareness is a critical skill in securing success as an exporter. The enlargement of the EU has increased the size of the EU, and also significantly increased its complexity. Because there are more people from culturally diverse backgrounds, effective communication is necessary. Be aware of differences in respect of meeting and greeting people (use of names, body language etc.) and of building relationships. There are also differences in dealings with hierarchy, presentations, negotiating, decision-making and handling conflicts. More information on cultural differences can be found in chapter 3 of CBI's export manual 'Exporting to the EU (2006)'.

General information on the EU can also be found at the official EU website http://europa.eu/abc/governments/index_en.htm or the free encyclopaedia Wikipedia <http://en.wikipedia.org/wiki/Portal:Europe>.

Monetary unit: Euro

On 1 January 1999, the Euro became the legal currency within twelve EU member states: Austria, Belgium, Finland, France, Germany, Italy, Ireland, Luxembourg, The Netherlands, Spain, and Portugal. Greece became the 12th member state to adopt the Euro on January 1, 2001. Slovenia adopted the Euro in 2007. Since 2002 Euro coins and banknotes replaced national currency in these countries. Denmark, United Kingdom and Sweden have decided not to participate in the Euro.

In CBI market surveys, the Euro (€) is the basic currency unit used to indicate value.

Table 1 Exchange rates of EU currencies in €, average yearly interbank rate

Country	Name	Code	2006	March 2007
Bulgaria	Lev	BGN	0.51387	0.511172
Cyprus	Pound	CYP	1.77133	1.712766
Czech Republic	Crown	CZK	0.03532	0.035043
Denmark	Crown	DKK	0.13407	0.134306
Estonia	Crown	EEK	0.06390	0.063911
Hungary	Forint	HUF	0.00380	0.003983
Latvia	Lats	LVL	1.44130	1.436038
Lithuania	Litas	LTL	0.28962	0.289552
Malta	Lira	MTL	2.33703	2.329881
Poland	Zloty	PLN	0.25748	0.26232
Romania	Lei	ROL	0.28480	0.28594*
Slovakia	Crown	SKK	0.02694	0.029406
Sweden	Crown	SEK	0.10812	0.107095
United Kingdom	Pound	GBP	1.46725	1.480094

*Exchange rate for March 2007

Source: OZ Foreign Exchange Service <http://www.ozforex.com.au/> (April 2007)

Appendix C List of developing countries

OECD DAC list - January 2006

When referring to developing countries in the CBI market surveys, reference is made to the group of countries on this OECD DAC list of January 2006.

Afghanistan	Gabon	Nepal	Uruguay
Albania	Gambia	Nicaragua	Uzbekistan
Algeria	Georgia	Niger	Vanuatu
Angola	Ghana	Nigeria	Venezuela
Anguilla	Grenada	Niue	Vietnam
Antigua and Barbuda	Guatemala	Oman	Wallis & Futuna
Argentina	Guinea	Pakistan	Yemen
Armenia	Guinea-Bissau	Palau	Zambia
Azerbaijan	Guyana	Palestinian Admin. Areas	Zimbabwe
Bangladesh	Haiti	Panama	
Barbados	Honduras	Papua New Guinea	
Belarus	India	Paraguay	
Belize	Indonesia	Peru	
Benin	Iran	Philippines	
Bhutan	Iraq	Rwanda	
Bolivia	Jamaica	Samoa	
Bosnia & Herzegovina	Jordan	Sao Tome & Principe	
Botswana	Kazakhstan	Saudi Arabia	
Brazil	Kenya	Senegal	
Burkina Faso	Kiribati	Serbia	
Burundi	Korea Rep. of	Seychelles	
Cambodia	Kyrgyz Rep.	Sierra Leone	
Cameroon	Laos	Solomon Islands	
Cape Verde	Lebanon	Somalia	
Central African Rep.	Liberia	South Africa	
Chad	Libya	Sri Lanka	
Chile	Macedonia	St. Helena	
China	Madagascar	St. Kitts Nevis	
Colombia	Malawi	St. Lucia	
Comoros	Malaysia	St. Vincent & Grenadines	
Congo Democratic Rep.	Maldives	Sudan	
Congo Rep.	Mali	Suriname	
Cook Islands	Marshall Islands	Swaziland	
Costa Rica	Mauritania	Syria	
Cote d'Ivoire	Mauritius	Tajikistan	
Croatia	Mayotte	Tanzania	
Cuba	Mexico	Thailand	
Djibouti	Micronesia, Fed. States	Timor-Leste	
Dominica	Moldova	Togo	
Dominican Republic	Mongolia	Trinidad & Tobago	
Ecuador	Montenegro	Tunisia	
Egypt	Montserrat	Turkey	
El Salvador	Morocco	Turkmenistan	
Equatorial Guinea	Mozambique	Turks & Caicos Islands	
Eritrea	Myanmar	Tuvalu	
Ethiopia	Namibia	Uganda	
Fiji	Nauru	Ukraine	

CBI countries – January 2007:

CBI supports exporters in the following Asian, African, Latin American and European (Balkan) countries:

Albania
Armenia
Bangladesh
Benin
Bolivia
Bosnia-Herzegovina
Burkina Faso
Colombia
Ecuador
Egypt
El Salvador
Ethiopia
Georgia
Ghana
Guatemala
Honduras
India
Indonesia
Jordan
Kenya
Macedonia
Madagascar
Mali
Moldova
Montenegro
Morocco
Mozambique
Nepal
Nicaragua
Pakistan
Peru
Philippines
Rwanda
Senegal
Serbia
South Africa
Sri Lanka
Suriname
Tanzania
Thailand
Tunisia
Uganda
Vietnam
Zambia