CBI Product Factsheet:

Tea in the Czech Republic
**Introduction**

The Czech Republic is strategically located as a gateway to Eastern Europe. It is a relatively small market with growth potential, especially with regard to direct imports from developing countries. Given the tendency of Czech customers to prefer flavoured teas, opportunities also exist in relation to the import of specific herbs, fruits and spices. With its growing number of tea rooms and an annual tea festival, drinking tea is about to become a cultural phenomenon in the Czech Republic. This will expand the scope for high-quality specialty teas.

**Product Definition**

The word 'tea' refers to a hot beverage that is prepared by infusing or brewing the dried leaves of the *Camellia sinensis* plant. There are at least six different types of tea: green, white, yellow, oolong (or wulong), black (called red tea in China), and dark post-fermented tea (or black tea for the Chinese). The most commonly found on the market are black, green, oolong and white tea (see table 1).

**Flavours of tea**

Oxidation is the distinguishing factor that determines whether tea will become black, oolong, green or white tea. It is a chemical process that results in the browning of tea leaves and the production of flavour and aroma compounds in finished teas. During oxidation (or ‘fermentation’), the flavours and aromas of tea become fuller and deeper. Notes of tannin, malt, chocolate, earth, stone-fruit, grape and/or citrus emerge. In general, black tea is fully fermented, oolong tea is partially fermented, green tea is not fermented (or only minimally fermented) and white tea is entirely unfermented.

<table>
<thead>
<tr>
<th>Tea</th>
<th>Description</th>
<th>Flavour</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Black tea</strong></td>
<td>Black tea is the most common type of tea in the Western world. Black tea is almost always fully fermented.</td>
<td>Black tea is noted for its full, bold flavour and its ability to pair well with many Western foods, particularly sweets and creamy foods.</td>
</tr>
<tr>
<td><strong>Green Tea</strong></td>
<td>Green tea is unfermented. Japanese green teas are typically steamed. Chinese-style teas are typically processed with dry heat.</td>
<td>Japanese-style green teas tend to have strong vegetal, grassy or oceanic/seaweed notes and a slight citrus undertone. Examples includes Sencha and Matcha tea.</td>
</tr>
</tbody>
</table>
Chinese teas often have a mellower, sweeter flavour profile with notes of nuts, flowers, wood and/or vanilla. Oolong tea is rolled by hand or machine and pan fired, and then heated. Many oolongs are roasted afterwards to further develop their flavours and aromas. Depending on their processing, oolongs may have flavours and aromas of honey, orchids and other flowers, lychee and other fruits, wood, butter or cream, vanilla and/or coconut. White tea is a light tea grown and harvested primarily in China (Fujian and Zhejiang provinces). The name relates to the whitish appearance of the plant. The tea is pale yellow. White tea has a light, delicate, slightly sweet flavour. It has less caffeine than black or green tea.

Most teas are sold to consumers as blends: mixtures of teas from several different origins to achieve a certain flavour profile. Most branded teas in Europe use 20 or more origins to achieve their desired taste and price level. However, single origin teas are increasingly sold in specialised tea (and coffee) shops.

**Czech flavour preferences**

Czech consumers are enthusiastic about fruit/herbal tea (black tea combinations), and they are increasingly looking for distinctive flavours and intense aromas. Green tea is also very popular, taking second place (Source: Progetto, 2014).

**Codes used in customs & international trade**

The statistical data in this document is based on Combined Nomenclature (CN) codes. The CN uses Harmonized System (HS) codes to classify products. The HS codes included in this study are listed below. There are no separate HS codes for oolong and white tea. They fall under the categories of fermented and unfermented tea, respectively.

<table>
<thead>
<tr>
<th>HS Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>090240</td>
<td>Black tea (fermented) &amp; partly fermented tea in packages exceeding 3 kg</td>
</tr>
<tr>
<td>090230</td>
<td>Black tea (fermented) &amp; partly fermented tea in packages not exceeding 3 kg</td>
</tr>
<tr>
<td>090220</td>
<td>Green tea (not fermented) in packages exceeding 3 kg</td>
</tr>
<tr>
<td>090210</td>
<td>Green tea (not fermented) in packages not exceeding 3 kg</td>
</tr>
</tbody>
</table>

**Product Specification**

**Quality: grading and classification**

The factors affecting tea quality can be distinguished as follows:
- Genetic: tea quality is determined primarily by the genetic properties of the tea plant/bush: China type, Assam type or hybrid.
- Environmental: the quality of tea is affected by elevation (high altitude), soil and climate (including temperature, humidity, sunshine duration and rainfall).
- Field operations: pruning, fertilising, shading and plucking also play an important role in determining the quality of tea (see e.g. Tea International).
- Processing of plucked tea leaves: orthodox versus ‘crush, tear and curl’ (CTC) tea

There are four basic grades in orthodox tea production: whole-leaf, broken-leaf, fannings and dust. These categories specify and indicate the different leaf sizes and associated strengths. Whole-leaf and broken-leaf grades are used predominantly for loose (specialty) teas, while fannings and dust are the preferred grades for CTC and other teabags.

The quality of tea is generally assessed by tea tasters (at auctions or from private buyers). Additional information is provided in the European Tea Committee’s Compendium of Guidelines for Tea.

- There is growing international interest in the enforcement of minimum quality standards for internationally traded tea. The difficulty lies in agreeing on internationally-acceptable quality standards. Sample tea grading specifications can be found on the website of Imperial Tea Garden.

**Labelling**

Consumer products containing tea are required to be labelled with the following characteristics:
- Name of the product;
- Physical condition or the specific treatment undergone (fermented or not, etc);
- List of ingredients, including additives (such as herbs for herbal teas);
• Nutritional values, for products containing ingredients that alter nutritional value (e.g. candied fruit pieces, coconut chips)
• Presence of substances known for their ability to spark allergic reactions and intolerances should always be indicated;
• Net quantity;
• Expiry date preceded by the words "best before";
• The name or business name and address of the manufacturer or packer, or of a seller established in the EU;
• Place of origin or provenance.

Packaging

Tea is packaged in paper bags, plywood chests are hardly used anymore. Bulk packaging requires the lot number (identification number), net and gross weight (quantity of content), whether the bag contains green or black tea (ingredient list), and more specific information, e.g. English breakfast tea (statement of identity) and the country of origin. China tea is also shipped in tin plate containers which are sealed with solder and additionally wrapped with bast mats.

Common packaging methods

What requirements should tea meet to be allowed on the Czech market?

The Czech Republic is a member of the EU and therefore, tea exported to the Czech Republic must comply with EU food safety legislation. The EU market (which includes the Czech market) has strict demands with regard to the safety and quality of food. These demands include legislation on food safety, maximum residue levels (MRLs), contaminants, consumer labelling and extraction solvents.

A detailed analysis of buyer requirements is provided on the CBI website under the section heading What requirements should tea meet to be allowed on the European market?

What legal requirements must my product comply with?

‘EU compliance’ is the most important criterion that EU buyers have when purchasing tea. Only suppliers that are able to adhere to the high EU requirements concerning the quality and safety of food will be allowed to enter the market in the EU (and thus in the Czech Republic). Compliance with the maximum permitted residue levels (MRLs) and legislation regarding contaminants is considered most important in this regard.

Tips:
• Direct information on the relevant legal requirements is available on the website of the EU Export Helpdesk.
• The ITC Standards Map contains additional information on voluntary standards.

What additional buyer requirements do buyers often have?

In addition to legally binding requirements, sustainability has become an increasingly important condition for market access. Mainstream certifications (e.g. Rainforest Alliance and UTZ Certified) are commonly requested within the mass-market segment, and they have become almost a ‘must’ for exporters to the EU (and thus also the Czech market).
Niche sustainability concepts

In the Czech Republic there is a niche market for organically produced tea and tea produced according to fair trade principles. The Czech Republic has a national organic logo, the Bio zebra, but its future has come under discussion. According to current expectations, the national logo will soon be used only for domestic Czech organic food production (source IFOAM website on Czech Republic, 2015).

Box 1. Sustainability initiatives of individual tea packing companies operating in the Czech Republic:

Large international tea-packing companies that sell their sustainable products in the Czech Republic include:

- Jacobs Douwe Egberts Czech Republic – UTZ Certified tea (in Czech)
- Tata Global Beverages - Sustainability with Rainforest Alliance, UTZ Certified, ETP and Trustea tea
- Unilever – Sustainable Living program with Rainforest Alliance tea

National tea brands may have less stringent quality requirements. National brands in the Czech Republic include:

- Oxalis (organic certification)
- Leros - leading in herbal teas; pending organic certification
- Apotheke (organic certification)

What is the demand for tea in the Czech Republic?

Unless stated otherwise, the import, export and consumption figures presented below are based on the selected HS codes (see the Product Description section).

1. Imports

Figure 1: Imports of tea to the Czech Republic, 2010-2014

Source: Eurostat, 2015
Most important developments

Stable imports

In 2014, Czech tea imports amounted to a total volume of 3.1 thousand tonnes, with a value of €21 million. The Czech Republic accounts for only about 1% of all EU imports, its imports have been increasing by 2% per year since 2010. In comparison, EU imports overall have dropped by 1.9% per year.

The Czech Republic relies heavily on other EU countries for its supply of tea, with 81% of all of its tea being imported from other EU countries in 2014. Moreover, imports from EU countries have increased by 5.4% per year since 2010. This tea was sourced from outside the EU and traded internally within the EU. In 2014, 87% of all EU imports came from

Source: Eurostat, 2015

Source: Eurostat, 2015

Source: Eurostat, 2015
developing countries, which accounted for 10% of all Czech imports. Since 2010, imports from developing countries to the Czech Republic have decreased by 21% per year.

**Tip:**
- Increased transparency can pose a threat to exporters as EU buyers might start bypassing them. A potential positive result is that a transparent supply chain facilitates linking up with traders and manufacturers on activities such as certification.

### Supplying countries

In 2014, Germany was the largest exporter to the Czech Republic (34%), followed by Poland (30%), the United Arab Emirates (7.9%) and Hungary (7.1%). Important developing countries that supply the Czech Republic include Sri Lanka (4.1%), China (2.8%), Iran (1.6%), Vietnam (1.2%) and India (0.5%). As indicated in Figure 2, imports from almost all Asian countries (especially China, Vietnam and Sri Lanka) dropped significantly between 2010 and 2014. At the same time, imports from Kenya, Tanzania and Argentina grew. This shift can be attributed to the issue of pesticides (strict EU legislation): residues are found predominantly in Asian teas. In a market dominated by EU suppliers, it is important for smaller suppliers to be aware that their opportunities will change from one year to the next.

**Tip:**
- Keep updated about developments in the global market as they can have an impact on your competitive position. Refer to price and crop reports and talk to experts.

Of all tea imports to the Czech Republic in 2014, 71% consisted of black tea and 29% consisted of green tea. Between 2010 and 2014, green-tea imports increased slightly more rapidly (+2.1% per year) than did black-tea imports (+1.9%). In 2014, imports from developing countries consisted of 50% black tea and 50% green tea. Direct exports from developing countries to the Czech Republic (thus not through other EU countries) are therefore more common for green tea than for black tea.

The Czech Republic imports a large share of consumer-packed tea, equalling 58% of total imported volume in 2014. Sri Lanka (5.3% of all consumer-packed tea imported) and Vietnam (1.8%) are the developing countries that supply these value-added teas (teabags) to the Czech Republic. The EU supplies around 80% of all consumer-packed tea imported by the Czech Republic. The availability of opportunities for exporters in developing countries with regard to providing value-added teas will depend heavily on the type of tea/level of processing and the country’s experience with sophisticated packaging.

**Tips:**
- Although it is not a simple endeavour, exporters in producing countries can try to sell blended or other teas in consumer packages (teabags). For example, exporters could provide private-label products for particular supermarkets (or chain) at prices that are higher than those for bulk tea. Sri Lanka has a long history of capturing more value in the supply chain through value-added production (Ceylon tea) and high-quality tea. Note that it is necessary to be able to offer a complete variety of consumer teas, with a variety of flavours (fruit and spices) and herbal blends.
- Note that adequate packaging is extremely challenging. For example, consumer teas are increasingly being packed in pyramid-shaped teabags.

### Blending mostly by international companies

The majority of tea imported to the Czech Republic is consumer-packed, either by European companies (e.g. Twining’s, Unilever, Teekanne or OTG) or in the country of origin (Sri Lanka, Vietnam, China). Some of the imported bulk tea is blended and packed locally by international companies. Tetley, Tata Global Beverages Czech Republic and Jacobs Douwe Egberts all have local blending and packing facilities in the Czech Republic. Oxalis is a domestic tea operator that is currently expanding its business. Others local companies include Leros and Mediate.
Expectations

Tea imports are expected to increase during the coming years, as Czech Republic is increasing its position as a trade hub towards the Eastern European countries.

2. Exports

Figure 5: Exports of tea from the Czech Republic, 2010–2014

Figure 6: Destination countries for tea from the Czech Republic in 2014

Source: Eurostat 2015

Most important developments

Increasing exports

The Czech Republic is increasing its position as a gateway to Eastern Europe. Tea exports from the Czech Republic amounted to a total volume of 918 tonnes in 2014, with a value of €10 million. Exports increased by 26% per year between 2010 and 2014. As indicated in Figure 6, the Czech Republic exports primarily to neighbouring countries. Almost two thirds of the exported tea goes to Poland, 92% of which is bulk tea. Poland has an important packing and blending business. The situation with regard to Slovakia is reversed: Slovakia imports 85% consumer-packed tea from the Czech Republic.
3. Consumption

The consumption figures of tea are calculated by the quantity of tea imported minus exported.

Figure 7: Consumption of tea in the Czech Republic, 2010-2014

Source: Eurostat, 2015

Most important developments

Consumption

The Czech Republic is a relatively small tea-consuming country with a per capita tea consumption of about 0.931 pounds (422g dry leaves) per year (Quartz, 2014). In comparison, the largest consumer in Europe (i.e. Ireland) consumed 4831 pounds (2191g) per person in the same year. In 2014, the Czech Republic as a whole consumed 2.2 thousand tonnes, of which 75% consisted of black tea and 25% of green tea. The tea market in the Czech Republic is not yet saturated. It has the potential to develop in the coming years, as demonstrated by current trends, including the high and increasing number of tea rooms and professionals in the industry (Source: Progetto, 2014). Growth rates are likely to be moderate, however, as tea consumption is not deeply embedded within the culture.

Tips:
- Given the tendency of Czech customers to prefer flavoured teas, opportunities exist in connection with the import of specific herbs, fruits and spices. Interest is also increasing in high-quality specialty teas, which could become another field of interest for your business.
- One good way to learn more about opportunities and enlarge your scope for business would be to visit the annual tea festival, the ČAJOMÍR.

Consumption trends

In 2014, Czech consumers demonstrated strong interest in herbal teas and flavoured green teas. In addition, they continued to be interested in tea with health and wellness benefits. The demand for fruit tea stagnated. The Czech market will continue to look for naturally healthy tea and interesting fruit/herbal combinations. The retail consumption of tea is projected to increase at an average rate of 1% per year between 2014 and 2019, reflecting an improvement in performance relative to the last five years. Better prospects are likely to emerge as the wellness trend and tea culture in the country develop further (Source: Euromonitor, 2015).
What trends offer opportunities on the Czech market for tea?

Increased demand for specialty teas: The rise of tea rooms and specialty stores

During the post-war Communist regime (1948-1989), large volumes of unified products were prioritised. Since the fall of communism, incomes have increased at least sevenfold, and Czechs are acquiring lifestyles in which variety and personalisation are more important. This is reflected in the high and growing number of tea rooms in the country. In 2014, there were over 250 tea rooms (known in Czech as čajovna) located in the regions of Bohemia and Moravia. Tea rooms are increasingly attracting entrepreneurs and managers, who choose the relaxing atmosphere of these places to meet clients. The classic teabags commonly used in homes are not found in these tea rooms. Since 1991, there has been a sharp increase in the number of specialty stores, in which customers can buy high-quality tea, including Korean tea, Japanese tea and the famous oolong tea from Taiwan (Source: Progetto, 2014).

Health and taste trend

Czech consumers are enthusiastic about fruit/herbal tea (combinations), and they are increasingly looking for distinctive flavours and intense aromas. Green tea is also very popular, taking second place. New products reflect this demand, and the leading companies have introduced new and interesting flavours. For example, in 2014/2015, Jacobs Douwe Egberts Czech Republic introduced a new line of Pickwick Herbalis (functional teas) and Pickwick Fruit fusions. The Delicious Spices, introduced in 2012, continue to be quite popular, numbering among the most highly valued teas of the year. Tata Global Beverages Czech Republic surprised Czech consumers with the introduction of Jemca Linden with Lemon Grass and Jemca Green Tea with Ginger. The company recently introduced Jemca Red Fruits and Jemca Green tea with buckthorn. With the exception of the green teas, however, most of these fruit/herbal teas do not contain a single-leaf or actual tea. This could potentially decrease the demand for bulk black teas.

New materials and shapes for tea bags

The well-known traditional filter paper tea bags are now often replaced by bags made of nylon, non-woven commercially compostable or certified biodegradable materials. In addition, pyramid-shaped tea bags have become more popular, leaving more room for whole leaf tea to expand and to give a better, more flavourful brew.

Tips:
- You have good opportunities supplying specialties that are traded in smaller volumes. Think of high quality orthodox teas (whole leaf, single estate), flavoured, custom and/or sustainable products. More volume-driven traditional markets can also provide opportunities, though competition is higher and margins lower.
- If you export specialty teas in consumer packaging, consider exporting teas in innovative bags such as pyramid-shaped tea bags. These bags leave more room for whole leaf tea to expand and to give a better, more flavourful brew.

Tips:
- Refer to the CBI’s document Competition for more information.
- See the Czech government’s brochure: Trends in Consumption of Czech Households over the Past Twenty Years

Tip:
- Flavoured black or other teas may offer an additional unique selling point relative to bulk black teas. The fruit/herbal tea trend may also offer new opportunities for selling specific herbs or fruit ingredients. It is important to have a good understanding of what ingredients are used for specialty teas when considering entering this market. In some cases, you will have to acquire new ingredients and therefore use different supply chains.

Tip:
- Exporters of speciality teas in consumer packaging should consider using these innovative bags, see also here.
**Organic certification**

Locally, the organic farming industry has seen an enormous rise: The target of the Ministry of Agriculture’s organic action plan that started in 2004 is to render 10% of all arable land certified organic. This has made consumers more open to organic produce, which has a positive effect on organic tea consumption. Prices for tea leaves with a certificate are on the rise.

**Tips:**
- Consider certification: For more insights in the differences between certification labels, see CBI’s *Labels and Standards: Sustainability in Coffee, Tea and Cocoa*.
- Make sure you know the supply chain of the tea you export. For more information refer to the CBI document *Market Channels and segments study*.

For more information on trends in the tea market, refer to CBI’s *Trends in Tea*.

**What do the trade channels and interesting market segments look like in the Czech Republic for tea?**

Tea is either traded through auctions or through private sales. Producers such as China, Vietnam and Argentina sell their teas via private sales. Other producing countries such as Kenya, Sri Lanka, Indonesia and India have an auction system in place. Understanding the total tea value chain may help exporters to estimate their risks and opportunities and to adapt their marketing strategy accordingly.

Additional information is provided in the CBI publication on *Market Channels and Segments*.

**Analysis and interpretation**

*Multi-national companies are dominating the market*, with a combined market share of 57%. Jacobs Douwe Egberts Czech Republic continued to lead the tea market in 2014 (holding a retail value share of 15%), followed by Tata Global Beverages Czech Republic (13%), Teekanne (10%), Mokate Czech (10%) and Unilever CR (Lipton: 9%). In 2014, these top five companies continued to compete for positions in the tea market through promotional activities, interesting brand extensions, consumer competitions, in-store promotions and television advertising. Notable advertisements included television spots for the new Pickwick fruit tea variant Ginger with Lemon, the Lemon Grass flavour by Douwe Egberts Czech Republic and the new green tea Teekanne Lemon with Ginger by Teekanne (Source: Euromonitor, 2015). The strongest domestic operators in terms of value share in 2013 were Leros (6%), Mediate (3%), Megafyt Pharma (below 2%) and Oxalis (2%) (Source: Euromonitor, 2013).

**Tip:**
- Large buyers are in a good position to help you with access to finance. Also look for other forms of finance such as grants, subsidies and funds. A large contributor to tea projects in developing countries is the Common Fund for Commodities.

Most retailers in the Czech Republic are international players. They are driven by EU food regulations and by private buyer requirements on food safety, quality and sustainability, EU buyers demand transparency in their supply chains.

**Tips:**
- Delivering to smaller importers or specialty retailers may offer you long term contracts and better prices, as you can bypass the auctions.
- For Czech buyers, especially larger ones, good supply chain management is important. For smallholder suppliers of tea, it is advised to integrate information technology and sharing, and to offer flexibility in internal operations in their supply chain management. Read more about these practices in a case study for Kenya (Source: Journal of Management and Sustainability, 2012).

In 2014, 25% of the Czech population prefers to shop at discounters, which offer a combination of favourable prices and reasonable quality. Hypermarkets are more popular than supermarkets are in the Czech Republic: 43% of Czech consumers shop in hypermarkets, while only 17% prefer supermarkets. Smaller shops are preferred by 15% households.
The primary reason that people have for choosing hypermarkets is the wide choice of goods.

Market research company GFK has predicted that in the Czech Republic, hypermarkets will lose market share to smaller, higher quality convenience stores in the general retail market. This could be an opportunity for specialty products such as loose leaf teas.

Useful sources

- SVNN - Union of Beverage Producers Czech Republic - email: (e-Mail: nealkosvaz@volny.cz)
- Czech Exporters - http://www.czechexporters.eu - database of Czech exporters and importers of various products
- International Tea Committee - http://inttea.com - non-profit provider of global tea statistics (based in UK)
- Tea 2030 - http://tea2030.tumblr.com - global collaboration from leading stakeholders across the tea value chain
- Fairtrade Labelling Organisation International (FLO) - http://www.fairtrade.net
- UTZ Certified - http://www.utzcertified.org
- Rainforest Alliance - http://www.rainforest-alliance.org
- Ethical Tea Partnership - http://www.ethicalteapartnership.org - NGO supports farmers in sustainable farming and trade
- The Sustainable Trade Initiative - www.idhsustainabletrade.com/tea - Major tea brands and packers join forces for sustainable tea sourcing & trade
- Information on packaging can be found on the ITC website for export packaging: http://www.intracen.org/ep/packaging/packit.htm
This survey was compiled for CBI by CREM B.V. in collaboration with CBI sector expert Joost Pierrot.

Disclaimer CBI market information tools: http://www.cbi.eu/disclaimer

March 2016