UNITED STATES DEPARTMENT OF AGRICULTURE

World Market Profile for Confectionery Products

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COMMODITY AND MARKETING PROGRAMS – PROCESSED PRODUCTS DIVISION
INTERNATIONAL STRATEGIC MARKETING GROUP
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Executive Summary

Global sugar-type candy, gum and chocolate candy retail sales were estimated to be $119 billion in 2004, a growth of 10 percent from the previous year, according to Euromonitor. Sales of cocoa ingredients, including cocoa powder and bulk chocolate, to food manufacturers were estimated to be between $10 billion and $12 billion in 2004, and growth from 2003 was strong. The retail confectionery market grew steadily in 2004, and specific growth areas include innovative sugar-type candy and gum, and premium chocolate products.

The global sugar-type candy, gum and chocolate candy industry is highly fragmented, with no manufacturer accounting for more than 10 percent of total confectionery sales. The cocoa ingredients market has fewer players, with four large companies representing around half of total production. Major confectionery producing countries include the United States, Brazil and European countries. Major commodity raw ingredients for confectionery products are cocoa, sugar, nuts and milk. Manufacturing favors countries with domestic supplies of sugar and cocoa, such as Brazil, especially as global trade barriers are being eliminated. However, existing policies keep sugar prices for U.S. and EU confectionery manufacturers well above world market levels, which reduces their competitiveness in domestic and foreign markets.

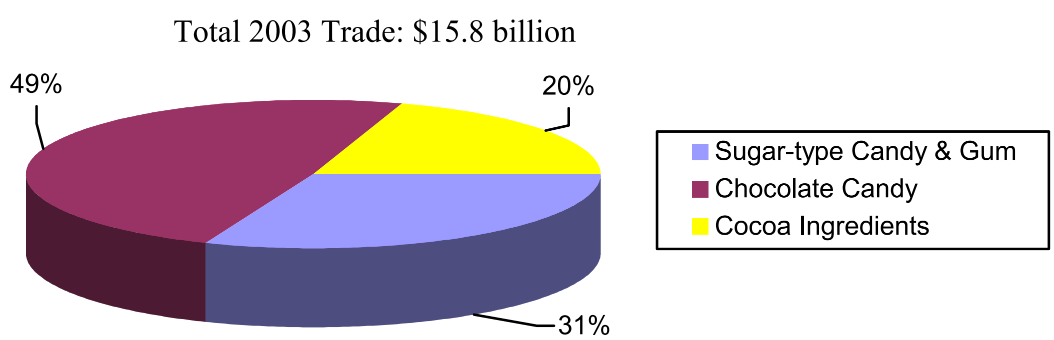
Global confectionery trade is forecast to be $17 billion in 2004, according to data from 54 countries reported to the Global Trade Atlas. The United States has a net negative balance of trade in confectionery products. In 2004, U.S. imports were reported to increase to $2.5 billion based on U.S. Customs data. U.S. imports represent 15 percent of global trade by value, a share that has increased since 1999. Major sources of imports are Canada, Mexico and Europe. In 2004, U.S. exports increased to $0.6 billion, based on U.S. Customs data. Exports represent 5 percent of global trade, a share that has decreased since 1999. Promising export destinations include Canada, Mexico and Asia. In general, exports have been flat, despite a weakening dollar and manufacturers' use of the USDA's Sugar Containing Products Re-Export Program that helps make U.S. confectionery products more competitive on the world market. Some analysts point to the accelerated movement of U.S. candy production to other countries as a contributing factor to higher U.S. imports and flat exports.

Overview of the World Market[1]

World Market

- Confectionery products include sugar-type candy, gum, chocolate candy and cocoa ingredients. According to the International Cocoa Organization (ICCO), the main world forum for the gathering and dissemination of information on cocoa, roughly two-thirds of cocoa bean production is used to make chocolate and one-third is used to make other cocoa powder. The markets for cocoa beans, cocoa butter and cocoa paste (precursors to chocolate and cocoa ingredients) are not considered in this report.
- The world retail market for sugar-type candy, gum and chocolate candy was $119 billion in 2004 according to Euromonitor. Chocolate candy represents the 54 percent of the total, and sugar-type candy and gum account for the remaining 46 percent. Average growth from 2003 was 10 percent, ranging from 8 percent to 12 percent in the individual subcategories.
- The world market for cocoa ingredients, most of which sold to other food manufacturers, is not easily characterized. Based on cocoa bean production, trade, prices and survey data the world market for cocoa ingredients was estimated to be between $10 billion and $12 billion in 2004, a significant increase from the value in 2003.
- World confectionery trade was $15.8 billion in 2003 according to Global Trade Atlas.[2] Chocolate candy trade was $7.7 billion, sugar-type candy and gum trade was $4.9 billion and cocoa ingredients trade was $3.2 billion in 2003 (Figure 1). Cocoa ingredients represent a substantial portion of world confectionery trade despite the small world market for cocoa ingredients relative to sugar-type candy, gum and chocolate candy.

Figure 1. World Confectionery Trade Categories by Sales Value, 2003



Source: Global Trade Atlas, reported exports from 54 countries as of 3/20/05

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1 This report was compiled by James M. Tringe, Processed Products Division, USDA/FAS. Additional information on individual markets is available from FAS offices overseas or from the Processed Products Division (PPD): Telephone: (202)720-6343, Internet: www.fas.usda.gov/agx/PPD.html.
Disclaimer: Statistics herein are not official USDA statistics unless otherwise specifically noted.

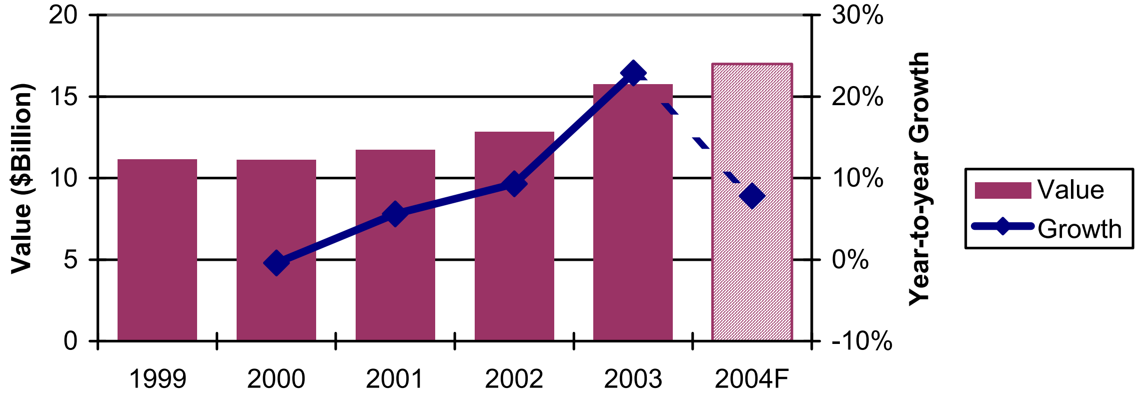
2 See Appendix B for a complete list of value definitions for 54 countries reporting export data between 1999 and 2004.

World Trade

Chart over 5 years, growth trends and projections

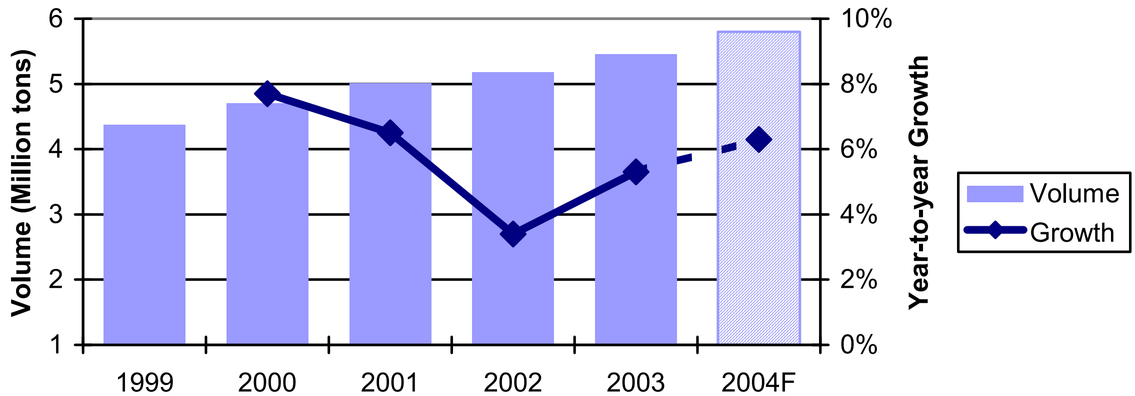
- The value of world confectionery trade is forecast to be $17 billion in 2004, an increase of 8 percent from $15.8 billion in 2003 (Figure 2). Over the same period, the volume of confectionery trade is forecast to increase to 5.8 million tons from 5.5 million tons, growth of more than 6 percent (Figure 3).
- The value of confectionery trade increased more than the volume, a combination of increased cocoa prices and greater consumer demand for higher value foreign products. This trend is forecast to continue in 2004, but with more moderate value growth after two years of strong expansion.
- Of the major confectionery categories, sugar-type candy and gum, chocolate candy and cocoa ingredients, cocoa ingredients trade has shown the strongest value growth in 2002 and 2003, at 25 percent and 35 percent respectively. This was partially due to an increase in cocoa prices over the period.

Figure 2. World Confectionery Trade Value and Growth, 1999 - 2004



Source: Global Trade Atlas, reported exports from 54 countries as of 3/20/05; Forecast: FAS

Figure 3. World Confectionery Trade Volume and Growth, 1999 - 2004

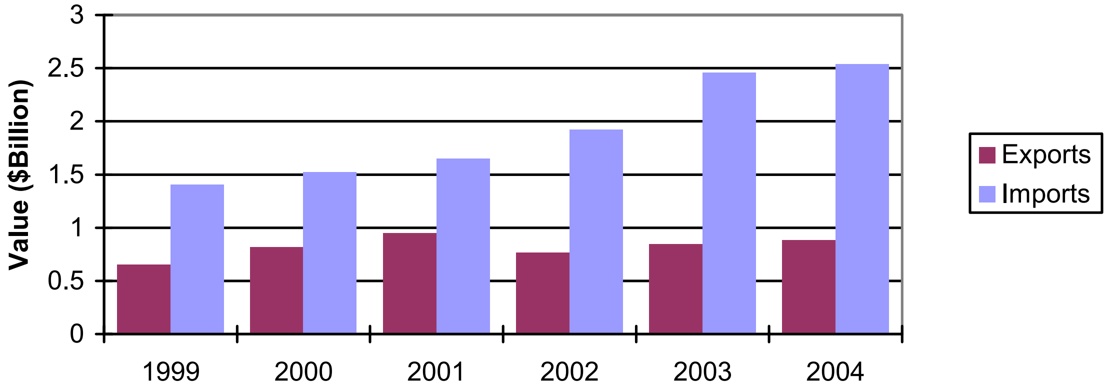


Source: Global Trade Atlas, reported exports from 54 countries as of 3/20/05; Forecast: FAS

U.S. market share

- The United States is a net importer of confectionery products. The trade deficit widened from $1.62 billion in 2003 to $1.66 billion in 2004 (Figure 4). However, exports grew slightly faster than imports (4.9 percent versus 3.4 percent) partially because a weaker dollar made U.S. goods cheaper abroad.

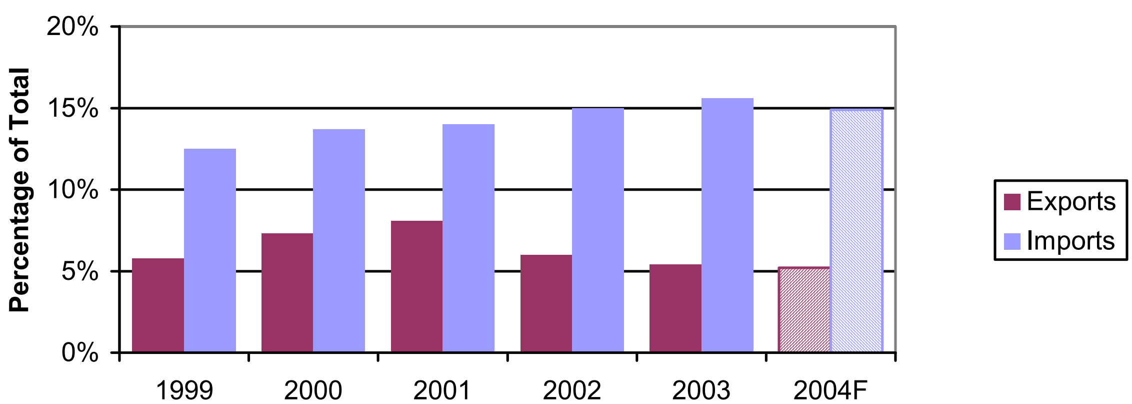
Figure 4. U.S. Confectionery Trade Value, 1999 - 2004



Source: Global Trade Atlas, trade reported by United States as of 3/20/05

- U.S. exports as a share of global confectionery trade have decreased from 8 percent in 2001 to 5 percent in 2003 (Figure 5). U.S. manufacturers are not forecast to increase world market share in 2004 despite a weaker U.S. dollar. U.S. exports account for between 5 and 9 percent of global trade for each individual confectionery category (sugar-type candy and gum, chocolate candy and cocoa ingredients).
- The increase in U.S. confectionery imports accounted for 23 percent of global trade value growth between 1999 and 2003, but U.S. exports accounted for only 4 percent of trade growth, indicating that U.S. import demand is playing a significant role in increased global confectionery trade.

Figure 5. U.S. Share of World Confectionery Trade Value, 1999 - 2004



Source: Global Trade Atlas, U.S. imports and exports as a share of reported exports from 54 countries as of 3/20/05; Forecast: FAS

Production and trade

- Global sugar-type candy, gum and chocolate candy production has grown slowly in recent years, and some manufacturing has relocated to developing economies. According to Euromonitor, global production by volume has been increasing by between 1 percent and 2 percent annually to 12.8 million tons in 2004. The retail value of global production was $119 billion in 2004, 10 percent growth from 2003.
- The value of the global cocoa ingredients sold to food manufacturers was estimated to be between $10 billion and $12 billion in 2004, according to industry production and trade data. The volume of global cocoa ingredients production in 2004 was estimated to be in excess of 4 million tons. In recent years, value growth has been stronger than volume growth because of increased cocoa prices.

What countries are the key suppliers and traders

- According to candy industry data, the United States produces the most chocolate by volume, followed by Germany, the United Kingdom, France, Brazil and Japan. The United States also produces the most sugar-type candy by volume, followed by Germany, Brazil, the United Kingdom and France. Production in fully developed economies has stagnated, but investment in emerging economies (China, Russia, Brazil and Mexico) has helped output value and volume grow.
- According to the ICCO, most cocoa bean processing occurs in countries where cocoa products will be consumed, not where cocoa beans are grown. The majority of cocoa beans are grown in a handful of West African, Southeast Asian and Latin American countries.
- World confectionery exports were valued at $15.8 billion in 2003, 29 percent growth since 1999. The European Union (EU-25) accounted for 68 percent of exports in 2003, followed by the NAFTA countries (Canada, United States and Mexico) with 15 percent. However, confectionery exports from NAFTA countries grew 39 percent from 1999 to 2003 compared with 28 percent growth from the EU-25.

Structure of the industry

- The global sugar-type confectionery, gum and chocolate candy market is highly fragmented. According to Euromonitor, no company has more than 10 percent of the total share. A handful of large companies combined have around 40 percent of the market: Mars Inc., Wm. Wrigley Jr. Co. (Wrigley recently purchased Kraft's confectionery brands), Nestle SA, Hershey Foods Corporation and Cadbury Schweppes Plc.
- The global cocoa ingredients market has a several large players. According to ICCO, four large companies combined account for over 50 percent of all cocoa grindings in 2001: Archer Daniels Midland, Cargill, Barry Callebaut AG and Nestle SA. Archer Daniels Midland sells cocoa ingredients to food manufacturers, but Cargill, Barry Callebaut (through a recent acquisition of Brach's Confections, Inc.) and Nestle also have chocolate candy brands available to retail customers.

- For the largest confectionery companies, over 80 percent of sales value comes from chocolate candy. Reasons include higher retail value for chocolate, more chocolate brands and a larger number of international markets for chocolate confectionery. The sugar-type confectionery market is typically captured by smaller regional company brands.
- According to Securities and Exchange Commission filings, the largest public U.S. confectionery companies, including Tootsie Roll Industries, Hershey Foods Corp. and Wm. Wrigley Jr. Co., operate some foreign manufacturing facilities in Canada or Mexico (among other countries). Manufacturing abroad reduces U.S. exports but is necessary to remain competitive in the global market.

Competitor analysis

Production, access/cost of raw ingredient

- Developing countries have challenged EU sugar policies in the World Trade Organization. Sugar prices for U.S. confectionery manufacturers are two to three times above world prices.
- Some U.S. confectionery manufacturers have reported delaying capital improvements, such as purchasing European confectionery manufacturing machines, because the U.S. dollar has been weak relative to the Euro in recent years.
- Industrial confectionery sugar consumption in the United States declined by 18 percent from 1999 to 2004, according to the Economic Research Service (ERS). During this period, several confectionery companies relocated their manufacturing facilities to countries with lower sugar costs (Canada and Mexico) and lower labor costs (Mexico). Confectionery production in Canada and Mexico has increased significantly over the period according to manufacturer data,[3] trade data and anecdotal evidence. Overall U.S. sugar consumption declined from 1999 to 2003, but has grown in the past two years.
- Cocoa diseases have disrupted global production and prices. Brazil, the world's fifth largest cocoa producer, went from being a cocoa exporter to a cocoa importer after the "witches' broom" fungus devastated production in 1989. Indonesia, the world's third largest cocoa producer, is currently struggling with pod borer disease, poor farming techniques, and unhelpful government policy. As cocoa quantity and quality has fallen, production and exports have declined correspondingly.
- The confectionery industry recognizes the challenge of sourcing cocoa, a key raw ingredient, primarily from the developing world. Consumer sensitivity about labor and environmental issues has the potential to demonize an almost universally affordable, non-essential product that is often associated with indulgence and luxury.

[3] Confectionery manufacturing data from Canada and Mexico can be compared directly to data from the United States using the North American Industry Classification System (NAICS).

Quality/availability/price positions of competitor

- Industry sources report that many U.S. candy factories have relocated outside of the United States in recent years. Some manufacturers blame policies that keep U.S. sugar prices high relative to other countries, but do not keep foreign-made "sugar-type" candy out of the United States. Confectionery manufacturers in countries with cheaper domestic sugar, such as Brazil, are at a competitive advantage to their U.S. counterparts.
- As a result of the EU Common Agricultural Policy, the price of sugar in the European Union is kept high compared with the world price. European manufacturers who must pay more for these ingredients than foreign competitors are therefore at a disadvantage in the global market place. However, the European Union uses a system of export refunds on sugar containing products designed to bridge the gap between internal and external prices.
- Product development trends include premium chocolate, sugar-free offerings and "functional" items. Premium chocolate includes products made from "fine or flavor" cocoa beans instead of "bulk" or "ordinary" beans. ICCO makes the following generalization: "'fine or flavor' cocoa beans are produced from Criollo or Trinitario cocoa-tree varieties, while bulk cocoa beans come from Forastero trees." "Fine or flavor" cocoa now represents about 4 percent of total production. In Europe and the United States, the combination of high domestic sugar prices and consumer concern about sugar consumption has encouraged some manufacturers to seek alternative sweetener ingredients, including saccharine, sucralose and aspartame. The sugar alcohol, xylitol, has become a popular ingredient in "functional" products such as sugar-free gum and candy, because consumers believe using xylitol reduces tooth decay rates.

Government support programs/strategies for export development

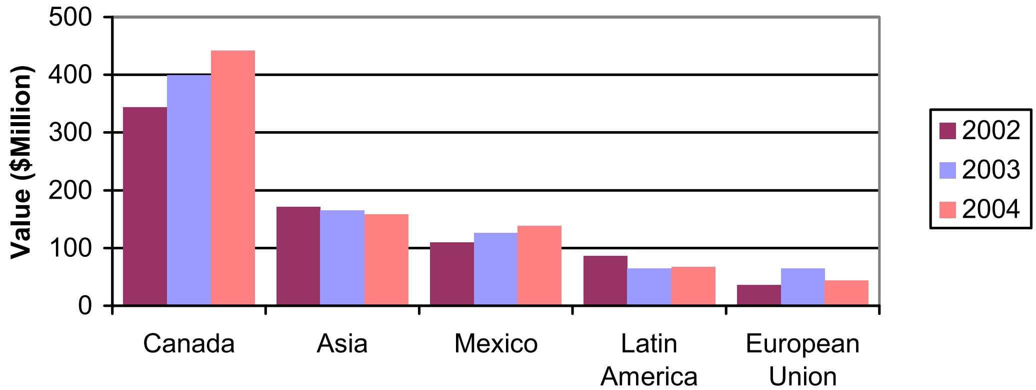
- The USDA's Sugar Containing Products Re-Export Program helps make U.S. confectionery products more competitive in foreign markets, but since U.S. consumers account for most of domestic manufacturers' sales, the Program alone is not sufficient to sustain U.S. confectionery manufacturing. Confectionery manufacturers must be licensed by the Program if they want to purchase sugar at world prices for use in products that will be exported.[4]

[4] For more information, consult the FAS Sugar Imports page: http://www.fas.usda.gov/itp/imports/ussugar.html

Profile of Top U.S. Export Markets

- Canada, Asia and Mexico are the major destinations for U.S. confectionery exports (Figure 6).
- The value of confectionery exports to Canada and Mexico accounted for 65 percent of the U.S. total to all destinations in 2004.

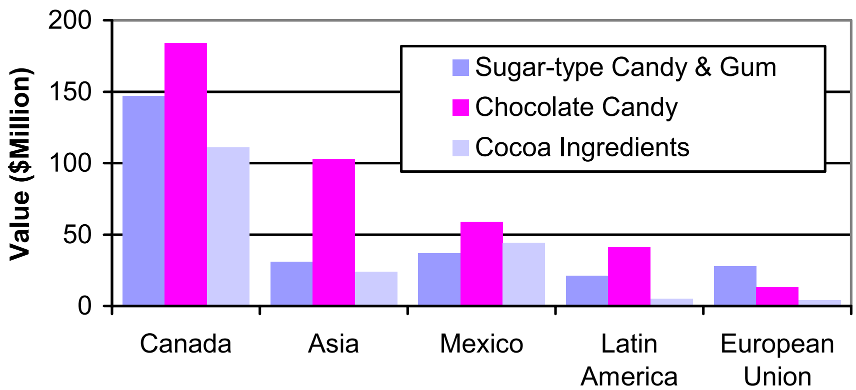
Figure 6. U.S. Confectionery Export Sales Value by Destination, 2002 - 2004



Source: Global Trade Atlas, exports reported by United States

- Chocolate candy is the largest U.S. confectionery export to most markets, although a significant amount of cocoa ingredients is sold to Canada (Figure 7).
- The European Union is the only major export destination where sugar-type candy and gum is the largest category (Figure 7).

Figure 7. U.S. Confectionery Export Sales Value by Destination and Category, 2004



Source: Global Trade Atlas, exports reported by United States

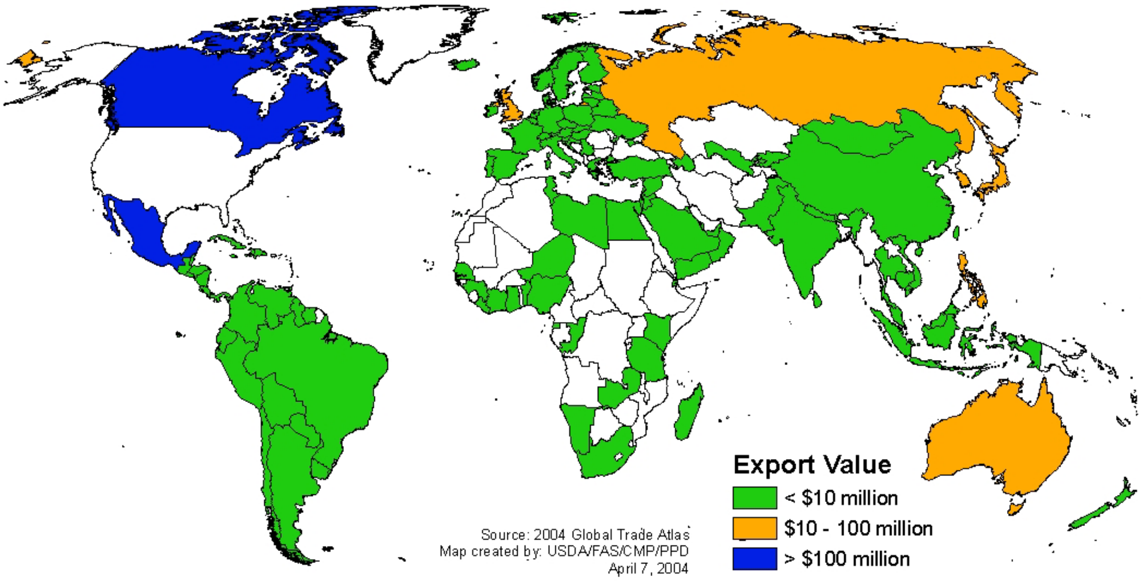
Top Markets

Some of the top markets for U.S. confectionery exporters are listed below.

- Canada
- Mexico
- United Kingdom
- Philippines
- South Korea
- Russia

Other markets of interest include Japan, Taiwan, China, Australia, Eastern Europe and the United Arab Emirates (Figure 8).

Figure 8. U.S. Confectionery Export Markets, 2004



Source: Global Trade Atlas, exports reported by United States

Note about Trade Data

- Import data for top markets cited in the following section is compiled in the Global Trade Atlas, as reported by the importing country. Please note that the value and quantity of U.S. exports *to* various destinations, as reported by U.S. Customs, can vary significantly from the value and quantity of imports *from* the United States reported by customs agencies at various destinations. Reasons include time lag, transshipments to subsequent destinations, currency valuations and other differences in reporting. A trade data comparison for top markets and country export and import valuation explanations for all markets is given in Appendix B.
- In the following section, import data compiled by the reporting country is used instead of U.S. Customs data so that imports from the United States can be put in context with imports reported from all other countries.

Canada

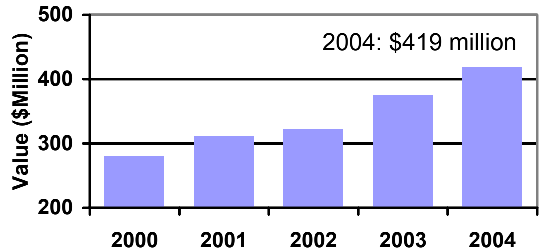
Market size, growth trends

- According to Euromonitor data, the retail market for sugar-type candy, gum and chocolate candy in Canada was $2.15 billion in 2004, an increase of $250 million from the previous year. The Canadian market for cocoa ingredients in 2004 was estimated to be more than $500 million, based on manufacturing and trade data.
- According to Statistics Canada, the value of confectionery manufacturing was $1.6 billion in 2002 (the most recent year available), and growth was 4.5 percent from 2001.
- Canadian confectionery imports were valued at $690 million in 2004, an 18 percent increase from 2003. Chocolate candy accounted for 46 percent of confectionery imports.

Key international suppliers to the market—U.S. position

- The United States is Canada's largest supplier of confectionery products, accounting for 61 percent of the value (Figure 9) and 65 percent of the volume of Canadian imports in 2004.
- The United States supplied 45 percent of Canadian chocolate candy imports by value, 67 percent of sugar-type candy and gum and 67 percent of cocoa ingredients in 2004.

Figure 9. Canada Conf. Imports from United States, 2000 - 2004



Source: GTA, imports reported by Canada

Product preferences—quality, packaging, price segmentation

- Canadian confectionery preferences are similar to those in the United States, in that some consumers increasingly seek premium quality candy.
- Reduced-sugar and "functional" products continue to be popular.

Key distribution segments for the product

- According to Euromonitor, compared to the United States more sugar-type candy, gum and chocolate candy is sold through Canadian grocery stores, and less through discounters, pharmacies and convenience store outlets.
- Discounters are expected to capture a larger share of sales in the future.

Key regulatory and tariff requirements (tariff rates, labeling, registration)

- The North America Free Trade Agreement has eliminated tariffs on U.S. confectionery products exported to Canada.
- Products sold in Canada must be labeled in English and French.

What emerging market opportunities?

- Chocolate candy and cocoa ingredients are the best U.S. confectionery export prospects for the Canadian market.
- There are also export opportunities for premium chocolate confectionery products.

Mexico

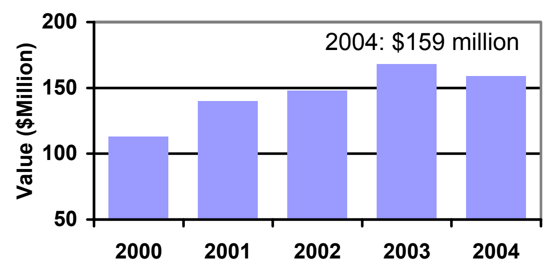
Market size, growth trends

- According to Euromonitor data, the retail market for sugar-type candy, gum and chocolate candy in Mexico was $2.9 billion in 2004, an increase of $110 million from the previous year. The Mexican market for cocoa ingredients in 2004 was estimated to be more than $250 million, based on manufacturing and trade data.
- According to the Mexican Bureau of Statistics, the value of confectionery manufacturing was over $1 billion in 1999 (the most recent year available). Based on anecdotal evidence about the relocation of U.S. factories, there has been substantial Mexican confectionery manufacturing growth in recent years.
- Mexican confectionery imports were valued at $308 million in 2004, an increase of 6 percent from 2003. Chocolate candy accounted for 50 percent of confectionery imports.

Key international suppliers to the market—U.S. position

- The United States is Mexico's largest supplier of confectionery products, accounting for 52 percent of the value (Figure 10) and 50 percent of the volume of Mexican imports in 2004.
- U.S. competitors in the Mexican confectionery market include Canada, Argentina, Chile, Brazil and Indonesia. Cocoa ingredient imports from Canada, Indonesia and Thailand have shown strong growth in recent years.

Figure 10. Mexico Conf. Imports from United States, 2000 - 2004



Source: GTA, imports reported by Mexico

Product preferences—quality, packaging, price segmentation

- Mexican consumers enjoy spicy and salty confectionery products, which include hot pepper and tamarind flavors, and are often manufactured locally.
- Candy packaging is intended to appeal to children, and low prices make it accessible to almost all consumers.
- Gum is popular because it can be purchased everywhere, and it is inexpensive and long-lasting compared to sugar-confectionery and chocolate.

Key distribution segments for the product

- According to Euromonitor, small confectionery manufacturers supply local retail outlets, while larger players distribute to convenience stores and supermarkets.
- Street vendors are also relevant sales channel for sugar confectionery and gum.

Key regulatory and tariff requirements (tariff rates, labeling, registration)

- The North America Free Trade Agreement has eliminated tariffs on U.S. confectionery products exported to Mexico.

What emerging market opportunities?

- Even though Mexico produces much of the sugar consumed domestically, unpredictable local sugar prices and steep sugar import tariffs keep domestic confectionery manufacturers from dominating the Mexican market.
- Mexico is considered the "birthplace of cocoa," but there are still opportunities for mainstream and premium chocolate confectionery products.

United Kingdom

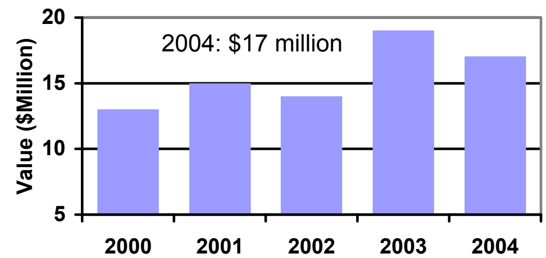
Market size, growth trends

- According to Euromonitor data, the retail market for sugar-type candy, gum and chocolate candy in the United Kingdom was $10.2 billion in 2004, an increase of $1.3 billion from the previous year. The UK market for cocoa ingredients is indeterminate.
- The UK Biscuit Cake Chocolate & Confectionery Association reported that the value of UK chocolate and sugar confectionery manufacturing was over $5.7 billion in 2003, and growth was 15 percent (in fixed $US) from 2002. The United Kingdom is one of the top five cocoa bean net importing countries, and a significant cocoa ingredient manufacturer, but the value of cocoa ingredient production is indeterminate.
- UK confectionery imports were valued at $1.31 billion in 2004, an increase of 20 percent from 2003. Chocolate candy accounted for 60 percent of confectionery imports.

Key international suppliers to the market—U.S. position

- The United States was a minor supplier in 2004 with exports valued at $17 million (Figure 11), Sugar-type candy, gum and chocolate candy accounted for 95 percent of U.S. exports.
- Other European and EU countries are large suppliers of confectionery products to the United Kingdom. These countries include Ireland, Netherlands, Germany, Belgium, France and Switzerland.

Figure 11. UK Conf. Imports from United States, 2000 - 2004



Source: GTA, imports reported by the U.K.

Product preferences—quality, packaging, price segmentation

- Per capita, the British eat more chocolate than any other nationality, except the Swiss. Chocolate eggs are popular at Easter, but there are two price extremes, with little selection in the middle.

Key distribution segments for the product

- According to Euromonitor, supermarkets are the most common distribution segment for confectionery products, followed by confectionery specialists.
- Specialists have been losing share to supermarkets and convenience stores in recent years as they find it hard to compete with outlets that offer a wider range of products.

Key regulatory and tariff requirements (tariff rates, labeling, registration)

- Confectionery imports are subject to an *ad valorem* tariff, in addition to a per ton surcharge, to give an effective bound rate of duty of 20 to 30 percent. Rates are slightly lower for cocoa ingredients.

What emerging market opportunities?

- Easter dominates seasonal sales, followed by Christmas. Halloween generates a small amount of sales.
- Chewing gum is the smallest confectionery subsector, but it is growing the fastest.

Philippines

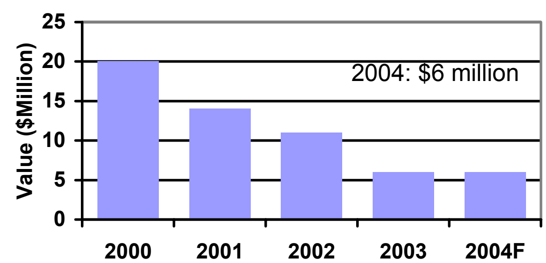
Market size, growth trends

- According to Euromonitor data, the retail market for sugar-type candy, gum and chocolate candy in the Philippines was $559 million in 2004, an increase of $31 million from the previous year. The Philippine market for cocoa ingredients is indeterminate.
- Confectionery manufacturing in the Philippines is indeterminate, but anecdotal evidence suggests that domestic production has been increasing. In 2004, the Philippine Department of Agriculture approved a project to produce quality chocolate from native cacao and sugar cane.
- Philippine confectionery imports are forecast to be valued at $73 million in 2004, a 27 percent increase from 2003, based on the first 9 months of import data. Cocoa ingredients accounted for 43 percent of confectionery imports in 2003.

Key international suppliers to the market—U.S. position

- Other Asian countries, including Malaysia, Thailand and Indonesia have become more competitive suppliers as a result of the Asia Free Trade Agreement, which became effective in 2003. China and India are also competitive suppliers.
- In 2001, the United States was the largest Philippine confectionery supplier, with exports valued at over $14 million (Figure 12). However, in recent years Indonesia and Malaysia, cocoa-producing countries, have replaced the United States as a Philippine chocolate and cocoa ingredients supplier. Total U.S. confectionery exports are forecast to be $6 million in 2004.

Figure 12. Philippine Conf. Imp. from United States, 2000 - 2004



Source: GTA, imports reported by Philippines

Product preferences—quality, packaging, price segmentation

- According to industry observers, Philippine tastes closely mirror those of Californians in many ways. Consumers have become more “health-conscious” recently, and have reduced their volume of chocolate consumption.

Key distribution segments for the product

- According to Euromonitor, supermarkets/hypermarkets are the most common distribution segment for confectionery products.
- Sales through convenience stores have shown strong growth since 1999.

Key regulatory and tariff requirements (tariff rates, labeling, registration)

- Sugar-type candy and gum imports are subject to an *ad valorem* bound rate of duty of between 45 and 50 percent.
- Chocolate candy and cocoa ingredients imports are subject to an *ad valorem* bound rate of duty of between 35 and 50 percent.

What emerging market opportunities?

- “Health-conscious” consumers may choose smaller servings of chocolate, which decreases volume sales, but has the potential to increase unit prices.
- A proposed ban on public smoking could increase the volume sales of chewing gum.

South Korea

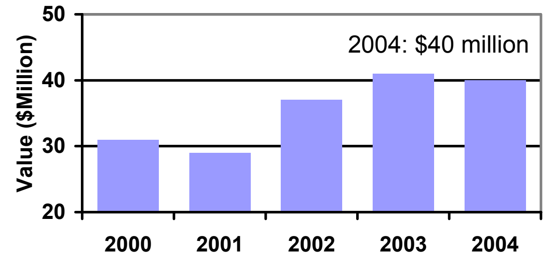
Market size, growth trends

- According to Euromonitor data, the retail market for sugar-type candy, gum and chocolate candy in South Korea was $892 million in 2004, a decrease of $22 million from the previous year, as a result of lower overall consumer spending. The South Korean market for cocoa ingredients is indeterminate.
- Confectionery manufacturing in the South Korea is indeterminate, but industry observers report that domestic manufacturing capacity is not forecast to increase to supply these items.
- South Korean confectionery imports were $170 million in 2004, a 2 percent increase from 2003. Chocolate candy accounted for 43 percent of confectionery imports.

Key international suppliers to the market—U.S. position

- The United States is South Korea's largest supplier of confectionery products, accounting for 24 percent of the value (Figure 13) and 22 percent of the volume in 2004.
- The United States supplied 33 percent of South Korean chocolate candy imports by value, 14 percent of sugar-type candy and gum and 19 percent of cocoa ingredients in 2004.
- The Netherlands and France are competitors in the cocoa ingredients category and China, Spain and Japan are competitors in the sugar-type candy and gum category.

Figure 13. S. Korea Conf. Imports from United States, 2000 - 2004



Source: GTA, imports reported by South Korea

Product preferences—quality, packaging, price segmentation

- According to industry reporting, high quality products are not well known in South Korea. U.S. suppliers are competitive in price and design for medium quality confectionery products.

Key distribution segments for the product

- According to Euromonitor, supermarkets/hypermarkets are the most common distribution segment for confectionery products.
- Sales through convenience stores have shown strong growth since 1999.
- Premium chocolate confectionery products are commonly sold through bakeries and confectionery gift shops.

Key regulatory and tariff requirements (tariff rates, labeling, registration)

- Sugar-type candy, gum, chocolate candy and cocoa ingredients imports are subject to an *ad valorem* bound rate of duty of 8 percent and a 10 percent value added tax according to FAS/Seoul.

What emerging market opportunities?

- As in other countries, holidays generate confectionery sales. In South Korea, confectionery sales peak on Valentine's Day, but men also give candy to their girlfriends on White Day (March 14).
- Traditionally, regional manufacturers tend to understand the market very well and are able to capitalize on rapidly changing consumer tastes.

Russia

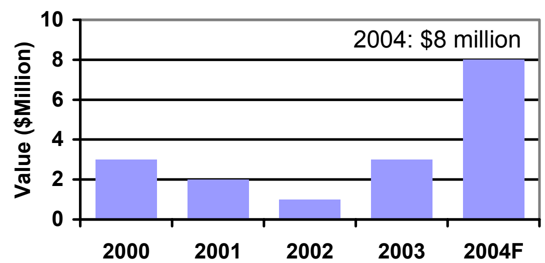
Market size, growth trends

- According to Euromonitor data, the retail market for sugar-type candy, gum and chocolate candy in Russia was $5.3 billion in 2004, an increase of $660 million from the previous year. The Russian market for cocoa ingredients is indeterminate.
- Confectionery manufacturing in the Russia is indeterminate, but industry observers report that domestic manufacturing capacity has increased in recent years.
- Russian confectionery imports are forecast to be $360 million in 2004, a 28 percent increase from 2003, based on the first eleven months of import data. Chocolate candy accounted for 55 percent of confectionery imports in 2003.

Key international suppliers to the market—U.S. position

- The United States is forecast to be a minor Russian supplier in 2004 with exports valued at $8 million (Figure 14), 85 percent of which was chocolate candy. U.S. exports increased by $5 million from 2003, growth of more than 150 percent.
- Ukraine, EU and other European countries are competitors in the chocolate candy category.

Figure 14. Russia Conf. Imports from United States, 2000 - 2004



Source: GTA, imports reported by Russia

Product preferences—quality, packaging, price segmentation

- Russian consumers have been inundated with novelty candy products, and have begun to show a preference for brands that represent quality.

Key distribution segments for the product

- According to Euromonitor, independent food stores are the most common distribution segment for confectionery products.
- Sales through supermarkets/hypermarkets have shown strong growth since 1999.
- Kiosks and open markets are still a significant distribution channel in Russia.

Key regulatory and tariff requirements (tariff rates, labeling, registration)

- Confectionery and cocoa products are subject to import duties of between 5 and 21 percent and value-added tax of 10 to 18 percent.

What emerging market opportunities?

- There is a growing demand for premium confectionery products in Russia.
- FAS analysts in Russia consider confectionery products to be among the best high-value product prospects in the food retail and hotel, restaurant and institutional sectors.

Comparison of Top Markets

- Three factors to consider when evaluating potential export markets include:
  - Size of retail market;
  - Size of existing U.S. export market (access and penetration); and
  - Growth of retail market, including per capita consumption.
- Table 15 shows a comparison of per capita confectionery consumption in various markets in 2004. Based on this information, Philippines and South Korea have the potential to increase per capita consumption by volume to reach world per capita consumption levels.

Table 15. Per Capita Confectionery Consumption, 2004		
Country	**Retail Value $US/person**	**Volume kg/person**
World	18.6	2.0
United Kingdom	171.2	16.0
United States	93.2	10.4
Canada	68.1	4.9
Russia	37.5	7.3
Mexico	27.6	2.7
South Korea	18.1	1.6
Philippines	6.7	1.2

Source: Euromonitor

Conclusion

- Uncertainty about the cocoa supply, because of disease and political unrest, will continue to cause price fluctuations. Pending the outcome of challenges to EU sugar policies, sugar and candy production could shift toward developing economies.
- Sugar-type candy and gum innovation and premium chocolate products will likely fuel consumption growth in mature North American and European markets, as well as in developing markets in Asia.
- Europe dominates the confectionery export market, and the United States is the world's largest importer. As domestic sugar confectionery manufacturing continues to decline, the best prospects for U.S. exporters are innovative sugar-type candy products and gum products, cocoa ingredients and premium chocolates.
- Competitiveness of domestic sugar confectionery manufacturers will continue to be hindered by the high domestic price of sugar. The Sugar-Containing Products Re-export Program helps make their products more competitive on the world market; however, sugar confectionery export sales have been flat for the past couple of years.
- The best export opportunities for U.S. manufacturers appear to be in Asian markets, in particular, South Korea, China, the Philippines and others.

Appendix A

Study objectives

The purpose of this study is to give a general description of the World confectionery market. The perspective is intended to be forward looking, using historical data as background.

Definition of product

Confectionery products include three major subcategories: sugar-type candy and gum, chocolate candy, and cocoa ingredients. The major commodities used to manufacture confectionery products are sugar, cocoa beans, and corn syrup. Other commodity ingredients are milk, fruit, peanuts, almonds, etc.

Methodology and sources[5]

In North America (Canada, United States and Mexico), manufacturing data for various years is available for uniformly defined confectionery categories through the corresponding national statistics bureau. Manufacturing data for Europe is less coherent because of the variety of type and timing of information availability. The availability of manufacturing data for other parts of the world is indeterminate.

Sugar-type candy, gum, and chocolate candy market data is available for developed countries through Euromonitor. Euromonitor does not provide data about the market for cocoa ingredients, so global estimates were created by extrapolating U.S. data, assuming that the United States' share of the global market is the same for cocoa ingredients as it is for chocolate candy. The value of the U.S. market[6] for cocoa ingredients was $2.6 billion in 2003, according to the U.S. Department of Commerce. According to Euromonitor data, the United States represents about one-quarter of the global market for chocolate candy.

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[5] This report draws from a variety of sources, including trade databases, industry associations, interviews, U.S. Department of Commerce surveys, and other commercial analysis, and was compiled by James M. Tringe, Agricultural Economist, under the supervision of International Strategic Marketing Group Team Leader Wayne Batwin. The Foreign Agricultural Service, Processed Products Division, is responsible for all forecasts in this report. Additional information is available from the Processed Products Division. Telephone: (202) 720-6343, Internet: http://www.fas.usda.gov/agx/PPD.html.

[6] The U.S. market for cocoa ingredients is defined as domestic production plus imports less exports.

Appendix B

Additional information

Harmonized System (HS) codes are used for tracking imports and exports. For the purpose of this report, ten products (as described by the 6-digit HS code) have been grouped under three descriptions.

Description	HS 6	HS 6 description
Sugar-type candy and gum	170410	Chewing gum
	170490	Sugar confectionery
Cocoa ingredients	180500	Cocoa powder, not sweetened
	180610	Cocoa powder, sweetened
	180620	Cocoa preparations, NESOI*
Chocolate candy	180631	Chocolate, filled
	180632	Chocolate, not filled
	180690	Chocolate, NESOI*

http://www.census.gov/foreign-trade/schedules/b/

*not elsewhere specified or indicated

The North American Industry Classification System (NAICS) is an industry classification system that groups establishments into industries based on the activities in which they are primarily engaged.

NAICS 3	NAICS 3 description	NAICS 6	NAICS 6 description
311	Food manufacturing	311320	Choc. & conf. mfg. from cacao beans
		311330	Choc. & conf. mfg. from purchased choc.
		311340	Non-choc. confectionery manufacturing

http://www.census.gov/epcd/www/naics.html

Trade data comparison

United States Trading Partner	Exports to Partner, reported by U.S. Customs, 2003 ($Million)	Imports from United States, reported by Partner, 2003 ($Million)	Difference between trade reported by United States, Partner ($Million)
Canada	399.2	375.3	+23.9
Mexico	126.9	167.5	-40.6
United Kingdom	21.2	18.6	+2.6
Philippines	15.2	6.1	+9.1
South Korea	35.5	41.1	-5.6
Russia	6.4	3.1	+3.3

Source: Global Trade Atlas

Country export and import valuation explanation

Countries use different export and import valuations, depending on the source of data. These differences partially explain why the valuation of trade depends on the analysis perspective.

Country	Export Valuation	Import Valuation	Source of Data
Argentina	F.O.B.	C.I.F.	INDEC – National Institute of Statistics & Census
Australia	F.O.B.	C.V.	Australian Bureau of Statistics
Austria	F.O.B.	C.I.F.	EuroStat
Belgium	F.O.B.	C.I.F.	EuroStat
Brazil	F.O.B.	F.O.B.	SECEX – Foreign Trade Secretariat
Canada	F.O.B.	F.O.B.	Statistics Canada
Chile	F.O.B.	C.I.F.	Chile Customs - Servicio Nacional de Aduana
China	F.O.B.	C.I.F.	China Customs
Colombia	F.O.B.	C.I.F.	DANE – National Administrative Department of Statistics
Cyprus	F.O.B.	C.I.F.	EuroStat
Czech Republic	F.O.B.	C.I.F.	EuroStat
Denmark	F.O.B.	C.I.F.	EuroStat
Estonia	F.O.B.	C.I.F.	EuroStat
Finland	F.O.B.	C.I.F.	EuroStat
France	F.O.B.	C.I.F.	EuroStat
Germany	F.O.B.	C.I.F.	EuroStat
Greece	F.O.B.	C.I.F.	EuroStat
Hong Kong	F.O.B.	C.I.F.	Hong Kong Census & Statistics Department
Hungary	F.O.B.	C.I.F.	EuroStat
Iceland	F.O.B.	F.O.B.	Statistics Iceland
India	F.O.B.	C.I.F.	Ministry of Commerce
Indonesia	F.O.B.	C.I.F.	Statistics Indonesia
Ireland	F.O.B.	C.I.F.	EuroStat
Italy	F.O.B.	C.I.F.	EuroStat
Japan	F.O.B.	C.I.F.	Japan Customs
Latvia	F.O.B.	C.I.F.	EuroStat
Lithuania	F.O.B.	C.I.F.	EuroStat
Luxembourg	F.O.B.	C.I.F.	EuroStat
Malaysia	F.O.B.	C.I.F.	Department of Statistics Malaysia
Malta	F.O.B.	C.I.F.	EuroStat
Mexico	F.O.B.	F.O.B.	Secretary of Economy
Netherlands	F.O.B.	C.I.F.	EuroStat
New Zealand	F.O.B.	V.F.D.	Statistics New Zealand
Norway	F.O.B.	C.I.F.	Statistics Norway
Peru	F.O.B.	C.I.F.	Peru Customs - Super Intedencia Nacional de Aduanas
Philippines	F.O.B.	F.O.B.	Philippines National Statistics Office
Poland	F.O.B.	C.I.F.	EuroStat
Portugal	F.O.B.	C.I.F.	EuroStat
Russia	F.O.B.	C.I.F.	Customs Committee of Russia
Singapore	F.O.B.	C.I.F.	Singapore Customs
Slovakia	F.O.B.	C.I.F.	EuroStat
Slovenia	F.O.B.	C.I.F.	EuroStat
South Africa	F.O.B.	F.O.B.	South African Revenue Service
South Korea	F.O.B.	C.I.F.	Korea Customs Service
Spain	F.O.B.	C.I.F.	EuroStat
Sri Lanka	F.O.B.	C.I.F.	Sri Lanka Customs
Sweden	F.O.B.	C.I.F.	EuroStat
Switzerland	F.O.B.	C.I.F.	Swiss Customs
Taiwan	F.O.B.	C.I.F.	Taiwan Directorate General of Customs
Thailand	F.O.B.	C.I.F.	Thai Customs Department
Turkey	F.O.B.	C.I.F.	State Institute of Statistics
United Kingdom	F.O.B.	C.I.F.	EuroStat
USA	F.A.S.	C.V.	U.S. Department of Commerce, Bureau of Census
Venezuela	F.O.B.	F.O.B.	SENIAT – National Customs & Tax Administration

Value definitions are given on the following page.

Global Trade Atlas provides the following export and import value definitions:

- Custom Import Value (C.V.) – This value is generally defined as the price actually paid or payable for merchandise when sold for exportation, excluding import duties, freight, insurance, and other charges incurred in bringing the merchandise to the importing country.
- Cost, Insurance, and Freight Import Value (C.I.F.) – This value represents the landed value of the merchandise at the first port of arrival in the importing country. It is computed by adding "Import Charges" to the "Customs Value" and therefore excludes import duties.
- Free Along Ship Export Value (F.A.S.) – The value of exports at the seaport, airport, or border, port of export, based on the transaction price, including inland freight, insurance, and other charges incurred in placing the merchandise alongside the carrier at the port of exportation. The value, as defined, excludes the cost of loading the merchandise aboard the exporting carrier and also excludes freight, insurance, and any charges or transportation costs beyond the port of exportation.
- Free On Board (F.O.B.) – A standard reference to the price of merchandise on the border or at a national port. In F.O.B. contracts, the seller is obliged to have the goods packaged and ready for shipment at the place agreed upon, and purchaser agrees to cover all ground transport costs and to assure all risks in the exporting country, together with subsequent transport costs and expenses incurred in loading the goods onto the chosen means of transport.
- Value for Duty (V.F.D.) – Value of imports before the addition of insurance and freight costs. The V.F.D. value equates approximately to F.O.B. value of goods in the exporting country.

Appendix C

Sources on the Internet

Data Resources

- U.S. Department of Commerce, Bureau of the Census
  Manufacturing, Mining, and Construction Stats; Current Industrial Reports
  http://www.census.gov/cir/www/alpha.html
  2002 Economic Census, Industry Series Reports, Manufacturing
  http://www.census.gov/econ/census02/guide/INDRPT31.HTM
- Food and Agricultural Organization, FAOSTAT
  http://apps.fao.org/default.jsp
- FASOnline, WTO Tariff Schedules
  http://www.fas.usda.gov/scriptsw/wtopdf/wtopdf_frm.asp
- U.S. Dept. of Agriculture, Foreign Ag. Service, International Trade Policy
  http://www.fas.usda.gov/itp/imports/ussugar.html

Industry Associations

- National Confectioners Association (U.S.)
  http://www.candyusa.org/default.asp or http://www.ecandy.com/
- Brazilian Cocoa, Chocolate, Peanut, and Candies Manufacturers Association
  http://www.abicab.org.br/ingles/index_home.htm
- Confectionery Manufacturers of Australasia
  http://www.candy.net.au/
- UK Biscuit Cake Chocolate & Confectionery Association
  http://www.bccca.org.uk/
- Chocosuisse, Union of Swiss Chocolate Manufacturers
  http://www.chocosuisse.ch/
- Association of the Chocolate, Biscuit & Confectionery Industries of the EU
  http://www.caobisco.com/english/main.asp
- International Cocoa Association
  http://www.icco.org/
- World Cocoa Foundation
  http://www.worldcocoafoundation.org/
- Encouraging Sustainable, Responsible Cocoa Farming
  http://www.responsiblecocoa.org/
- International Office of Cocoa, Chocolate and Sugar Confectionery
  http://www.candy.net.au/IOCCC/

Other Reports

- U.S. Department of Agriculture, Foreign Agricultural Service
  U.S. Market Profile for Confectionery Products
  http://www.fas.usda.gov/agx/ISMG/USMarketProfileConfectioneryProductsOct2004.pdf