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1.2. Harmonizing (HS) Codes

HS Code	Product Label	Major Exporting Countries
17	Sugar and sugar confectionery	
1704	Sugar confectionery (including white chocolate), not containing cocoa	
170490	Sugar confectionery nes ¹ (including white chocolate), not containing cocoa	
17049030	Confections or sweetmeats ready for consumption. Not containing cocoa	Mexico, Canada, China, Germany, Turkey
1704903550	Confections or sweetmeats ready for consumption, nesoi ² , put up for retail sale	
1704903590	Confections or sweetmeats ready for consumption, nesoi, not put up for retail sale	
1704909000	Sugar confectionery, not containing cocoa, not for retail sale, nesoi	
18	Cocoa and cocoa preparations	
1801	Cocoa beans, whole or broken, raw or roasted	
1802	Cocoa shells, husks, skins and other cocoa waste	
1803	Cocoa paste, whether or not defatted	
1804	Cocoa butter, fat and oil	
1805	Cocoa powder, without added sugar	
1806	Chocolate and other food preparations containing cocoa	
180610	Cocoa powder, containing added sugar or other sweetening matter	Canada, Mexico, Germany, Belgium, Switzerland
180620	Chocolate & other food preparations containing cocoa weighing more than 2 kg	
180631	Chocolate & food preparations containing cocoa in blocks, slabs/bars, filled, not exceeding 2 kg	
180632	Chocolate & food prep containing cocoa in blocks, slabs/bars, not filled, not over 2 kg	
180690	Chocolate and other food preparations containing cocoa nes	

Source: International Trade Center (ITC)

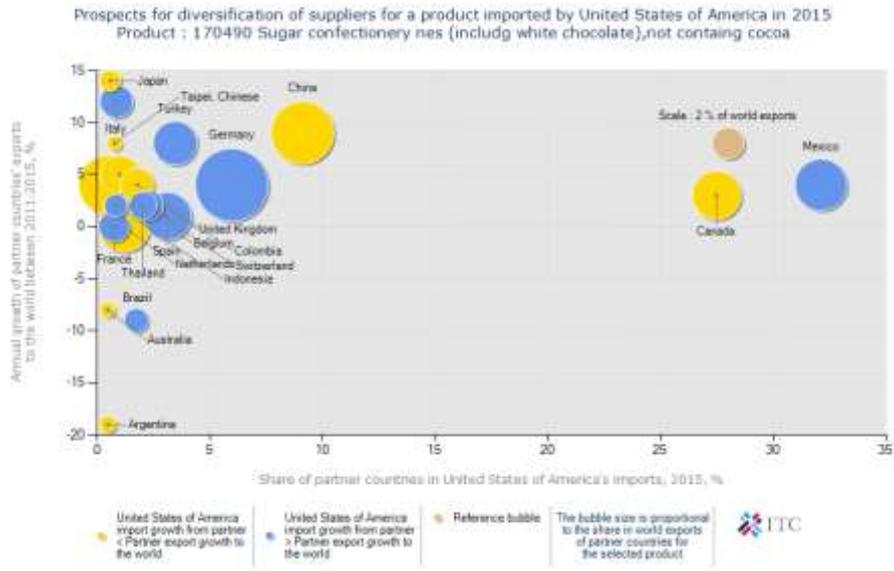
The respective harmonizing codes for the above categories and their products are summarized in the above table. The major exporting country to the US market for each category is listed in the final column. It can be noted that the main countries from which the US imports to satisfy the national demand are either North or South American nations or, Western European, with minor contribution from the Western Africa and Asia.

The following figures (figures 1 and 2) illustrate the bilateral trade patterns between the United States of America (USA) and the rest of the world (ROW) for the two categories of products defined above i.e. confectionery and waffles and wafers.

¹ Nowhere else specified

² Nowhere else specified or indicated

Figure 5: Diversification of Suppliers in the USA for HS Code 170490 (2015)



Source: International Trade Center (ITC)

Figure 5 presents an overview of the suppliers in the US market for the sugar confectionery under HS Code 170490, which includes products which does not contain cocoa as well as white chocolate.

Canada and Mexico represent the two major importers with the largest shares of importing market. Their geographical location as well as their involvement in the North Atlantic Free Trade Agreement (NAFTA) encourage and facilitate the bilateral trade patterns. For 2015, the import growth from Canada was superior to Canada's average export growth to the world.

The smaller suppliers are in their majority Asian and European markets, which do not have a competitive advantage in terms of international trade relationships. As indicated below certain European and Asian markets have managed to maintain a significant supply market for the US ranking amongst the top 5 suppliers.

Table 1: Imported Value by Country to the USA

HS Code: 170490 (Sugar confectionery nes (including white chocolate), not containing cocoa)
Unit: thousands of US\$

Exporters	2011	2012	2013	2014	2015
World	1,349,001	1421,192	1,503,951	1,613,957	1,578,530
Mexico	388,150	419,933	450,584	486,182	506,977
Canada	387,011	418,382	434,680	445,614	433,885
China	145,842	130,243	136,335	154,844	143,957
Germany	58,046	64,099	71,690	89,324	94,427
Turkey	23,489	40,865	56,630	57,819	54,819

Source: International Trade Center (ITC) calculations based on UN COMTRADE statistics

Table 1 summarizes the annual imported values in monetary terms of the top 5 importing nations for the examined period 2011 – 2015. Mexico has grown in terms of its imported value by 30, 6%. Germany, as the only European market has grown by a percentage rate of 63.7% during the given five year period. This is a strong indication of the European potential in the US importing market for sugar confectionery.

The Turkish importing market is relatively small. However it has grown by 233% compared to the estimated imported value in 2011. China is the only Asian market amongst the top 5 countries importing market which has contracted by 1, 29%.

Table 2 summarizes the respective top importing countries in terms of importing quantities. Spain holds the fifth place in the importing market and although it holds a small proportion of the market it has grown significantly in the number of tons it has imported to the USA between 2011 and 2015 by 87%.

The three most interesting markets amongst the top importing counties for HS Code 170490 are analyzed independently in the following section.

Table 2: Imported Quantity by Country to the USA

HS Code: 170490 (Sugar confectionery nes (including white chocolate), not containing cocoa)
Unit: tons

Exporters	2011	2012	2013	2014	2015
World	503,445	507,920	518,653	567,067	549,264
Mexico	192,838	200,835	207,202	226,148	239,182
Canada	136498	137,481	138,606	147,216	126,750
China	38,496	32,544	32,587	36,606	34,045
Germany	14,099	15,039	17,183	24,068	24,202
Spain	11,969	17,827	17,235	25,354	22,412

Source: International Trade Center (ITC) calculations based on UN COMTRADE statistics

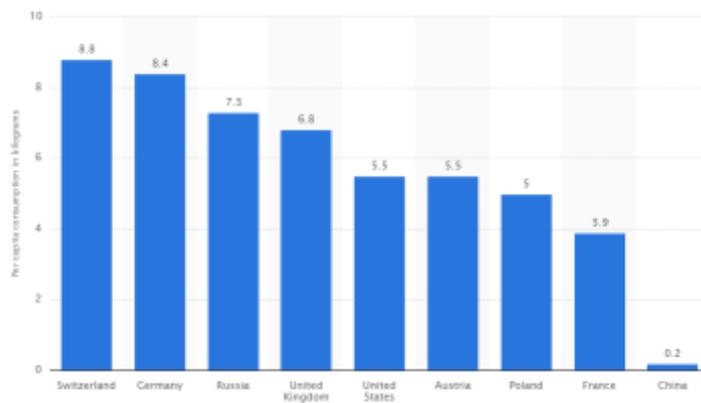


2.2 Cocoa & Cocoa Preparations (HS Code 18)

Cocoa and related preparations contribute significantly to the confectionery industry. The HS Codes included in this sector vary from the cocoa bean in its unprocessed form (whole or broken), powder, cocoa butter, cocoa paste and chocolate which is of most interest to the report.

Chocolate and other related food preparations containing cocoa (HS Code 1806) are the ones which are the most highly imported to the US from the rest of the world, followed by HS Code 1801, which is defined as “Cocoa beans, whole or broken, raw or roasted”. The United States of America is amongst countries worldwide with the highest rates of chocolate consumption per capita; figure 13 below illustrates this trend.

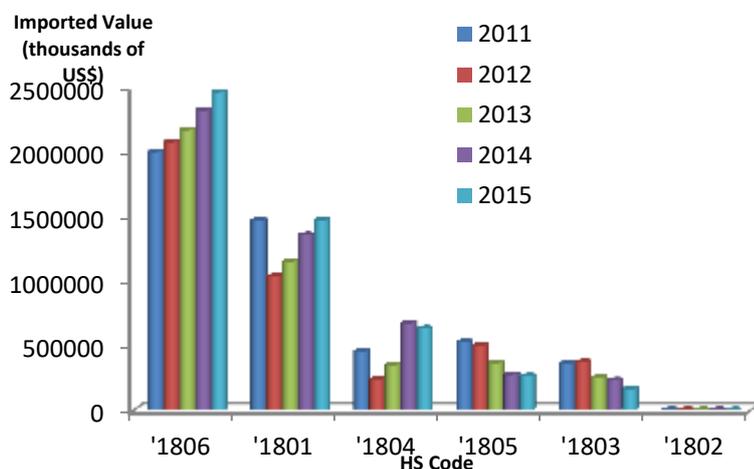
Figure 13: Per Capita Consumption of Chocolate Confectionery Worldwide (2015)



Source: Statista 2016

- In 2015 the average US citizen consumed 5.5 kilos of chocolate and is found in 5th position on a worldwide scale.
- The average Swiss and UK citizen consumed between 8.8 and 6.8 kilos respectively during the same year.
- The United States is the only American country amongst the top chocolate consuming nations.

Figure 14: USA Imported Value HS Code 18 (2011 - 2015)



HS Code	Product Label
'1806	Chocolate and other food preparations containing cocoa
'1801	Cocoa beans, whole or broken, raw or roasted
'1804	Cocoa butter, fat and oil
'1805	Cocoa powder, without added sugar
'1803	Cocoa paste, whether or not defatted
'1802	Cocoa shells, husks, skins and other cocoa waste

Source: International Trade Center (ITC)

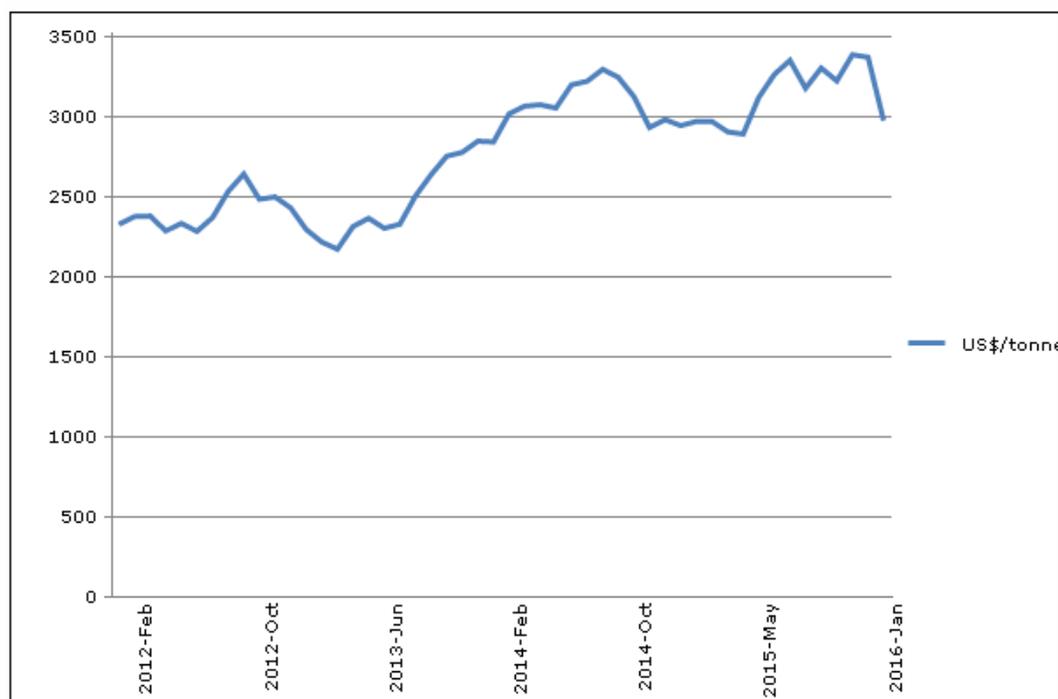
3.2. US Cocoa Market

In 2013 the total production of cocoa was estimated at 160,000 tons, over 70% of which originated from African countries. According to the International Cocoa Organization (ICCO) in 2013 global production of cocoa beans decreased by 3.7% compared to the previous season, mainly because of the fall in production from the Ivory Coast and Ghana (Annual Report ICCO, 2013). In Latin America production output fell mainly in the Dominican Republic and Brazil according to the same source. There has been an increase in America and Europe as far as the grinding and processing activities are concerned.

For the season 2015-2016 production is expected at 4.1 million tons vs. 4.2 million tons in the previous year (ICCO)

Trade and production of chocolate is directly influenced by prices of the cocoa bean in its unprocessed form. Figure 51 illustrates the monthly averages which indicate a fall in price levels.

Figure 51: ICCO Monthly Averages of Daily Prices (2012 -2015)



Source: International Cocoa Organization

4.1. Mega Trends

In 2015 the USA consumers for confectionery chocolate presented the following trends according to the Euromonitor International:

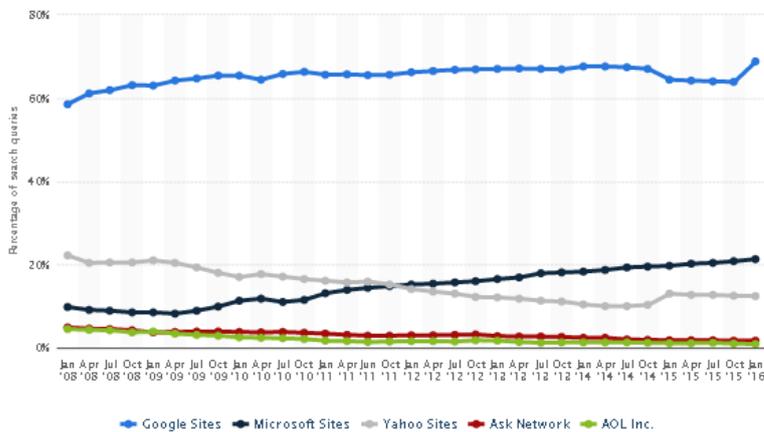
- Confectionery is one of the impulse items for consumers. The decline in petrol prices has also influenced the way in which these consumers have increased their spending in small shop chocolate.
- Overall increase in the market share reaches a value of
Affected by increased consumer demand particularly in premium chocolate has influenced the market
- Plain dark chocolate (with inelastic demand) presented a strong growth in tablets, growing at a rate of 7% and gained market share at 21% and is the most popular amongst US consumers.
- New product launches with high cocoa content encouraged this trend and are preferred because of their potential health benefits and higher quality ingredients.
- New products, including filled chocolate tablets with new flavors, have encouraged the market to expand and grow.
- Seasonal chocolate has grown in terms of its current value 9% and 7% respectively during the past two years.

4.2. Digital Footprint

In order to understand average consumer tendencies in a complete manner, it is essential to consider the influence of modern technological advances and research methods since technology has become an essential tool in the everyday life of US consumers. The internet is a major way through which the average US consumer is informed. On average in 2008, US consumers' daily media consumption was approximated at 100,500 words or almost 12 hours, according to research at the University of California (Measuring Consumer Information, 2012).

Google was rated as the top US search engine provider for the past eight consecutive years³ and in the beginning of 2016, Google as the market leader contributed to 68.8% of the total searches in the US (ibid.).

Figure 68: Online Queries per Search Engine (2008 -2015)



Source: Statista, 2016

"Google trends" is a useful tool which enables the user to calculate the popularity of the inserted term and is used in this section to analyze the online US consumer trends that are using Google as their search engine.

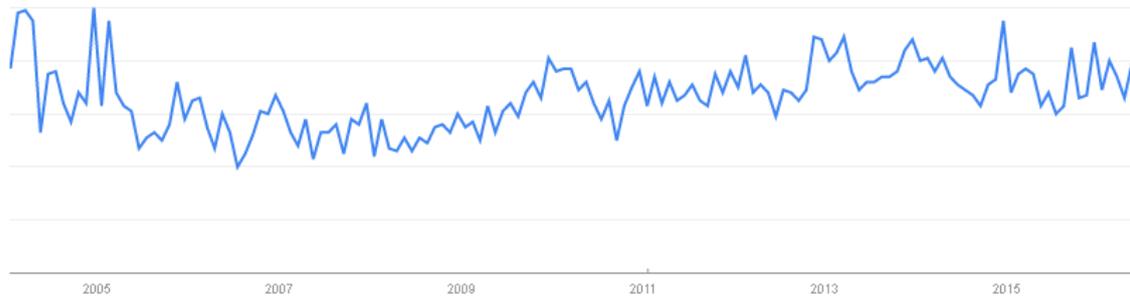
The method with which the number of searches is calculated is by dividing the number of queries for the keyword, by the total number of Google search queries. The results can be grouped geographically according to region, state, city or across time. They are updated on a daily basis.

There are inaccuracies which may occur (approximations and sampling issues) which have to be taken into consideration when the relative results are analyzed (<http://whatis.techtarget.com/definition/Google-Trends>).

A graphical representation for each keyword searched is presented and analyzed below.

³ Statista, 2016

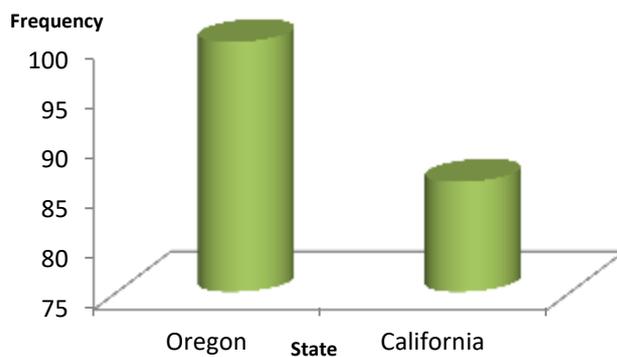
Figure 69: "Confectionery" in the USA empirically (2005 - 2015)



Source: Google Trends, 2016

The results indicate a high tendency of US consumers to search the term confectionery throughout the 10 year period being examined. The fluctuations seem to follow a random pattern which may be seasonally adjusted.

Figure 70: "Sugar Confectionery" by state



Source: Google Trends, 2016

When searching the sub-category "sugar confectionery" the two bordering states of Oregon and California, on the West Coast were the ones in which the US consumers tend to search the term most frequently. California is a state which attempts to maintain a high demand of desserts by putting emphasis on healthy ingredients such as dates, coconut and gluten-free products.

Figure 71: "Gum" in the USA geographically



Gum is part of the confectionery industry and is densely searched throughout the United State, as the figure above indicates. The darker shades of blue indicate the areas in which the term is most frequently searched.

Source: Google Trends, 2016