

CBI MARKET SURVEY

THE NATURAL STONE AND STONE PRODUCTS MARKET IN THE EU

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Report summary

This CBI market survey gives an overview of the opportunities and threats that potential exporters from developing countries (DC) should analyse before making a decision to export to the European Union (EU). It reviews the following aspects:

Consumption

EU countries are traditional users of natural stone and stone products and have the highest per capita consumption worldwide. In square meters, the top 10 EU consuming countries represent 84% of the total global consumption of finished stone products. In 2008, the EU consumed € 8.3 billion tonnes of natural stone, of which € 6.7 billion finished stone products. Italy (27%) is the biggest EU consumer of finished stone products followed by Spain (18%), France (12%) and the UK (10%).

The biggest consumers of intermediate stone products in terms of volume are Italy (33%), Spain (31%), France (10%) and the UK (7.5%). The consumption of intermediate stone products has dropped since 2006 by 27% per year as a result of more demand for finished stone products. Cheap foreign suppliers provide most of these products now. This development is expected to extend into the future challenging the demand for intermediate stone products.

Most countries in the EU are experiencing decline as a result of the global economic crisis and a dropping construction sector. However, the EU consumption is expected to improve as the stone market industry recovers from the global finance slowdown most likely around 2011-2012.

Still, the overall performance of the EU demand can offer very good perspectives for DC exporters of intermediate and finished stone products. Some consumption trends are especially important to be taking into account:

- the diversification of usage of natural stone and stone products;
- the renewed interest of consumers in natural stone, more and more perceived as an affordable luxury;
- the changing taste of consumers in terms of colours, design and material;
- the high expectations in terms of quality and standards and
- the preoccupations of EU consumers towards sustainability issues.

Production

The global production level has increased in recent years, thereby contributing to the emergence of new players, most of them originating from DC in Asia, Africa and Latin America. This has been especially true in the finished product sector, where DC competitors are increasingly stiff. However, the deterioration of the international financial and economic picture is leading to increasing uncertainty. As a result EU production of finished stone products dropped by 3.9% in the period 2004-2008.

In 2008, the EU produced almost € 8.4 billion of natural stone and stone products, of which € 1.3 billion were intermediate stone products. In terms of value, the biggest producers of intermediate stone products are Spain (48%) and Italy (30%). On the other hand the biggest producers of finished stone products are Italy (44%), Spain (24%), France (7.1%) and the UK (5.0%).

Exporters from DC have an increased opportunity to enter the EU market, especially if those exporters are able to compete with the quality standards of the EU. However, maintaining such standards requires significant investment in technology. In the context of increasing global competition, such requirements are critical to maintain long-term profitability when exporting to the EU.

Trade channels and price structure

Wholesalers, importers, processors, distributors, retailers and end-users are different entry points to the EU markets. In both segments (intermediate inputs and finished goods) the wholesaler/importer channel accounts for the largest turnover and in most cases offers the easiest access to the EU for exporters from DC.

The traditional roles in the natural stone industry are currently undergoing a transformation, which increases the direct global competition: some of the biggest producers from DC are setting up warehouses in Europe, while some actors from the EU are investing in processing activities in DC. DC exporters should therefore study the opportunities within each trade channel, basing their competitiveness either on value-added products, playing on aspects such as exclusivity and quality, or low-cost products that can generate profit through high volumes. Also, it is important to study the export prices and margins that apply in the different trade channels. They can indeed fluctuate significantly according to factors such as the size order, the number of intermediaries, the quality, added-value, availability of and demand for the product.

Imports to the EU

In 2008, the EU imported € 3.7 billion of natural stone. Since 2004, those imports have been constantly rising at an annual growth rate of 4.7%. The EU imports about 28% of intermediate stone products and 72% of finished stone products. The intermediate stone products imported most by the EU are siliceous blocks & slabs (19% of total EU imports) and calcareous blocks & slabs (7.8%). The most important finished products are siliceous funeral & other art (22% of total EU imports), slate building stone (12%), setts, curbstones and flagstones (11%) and calcareous funeral & other art (9.5%).

DC account for 54% of the natural stone imported to the EU. The top 5 exporting DC to the EU are China, India, Turkey, Brazil and South Africa. The biggest buyers of natural stone from DC are Italy, Germany, the United Kingdom, Spain and Belgium. The EU imports coming from DC are growing at a higher speed than imports from other partners. The share of finished stone products is also increasing versus the share of intermediate stone products.

While lower costs is one undeniable competitive advantage of DC, a strong producing and trading capacity, associated with permanent pro-active commercial efforts are also key to successfully export to the EU. One should also keep in mind that the increasing global demand and competition are constantly dragging the prices down and challenging the margins. Moreover, although the market share of DC is expected to increase in coming years imports are expected to go down until 2011. Nonetheless, the EU still provides a lot of opportunities described in the report.

Introduction

This CBI market survey profiles the natural stone and stone products market in the EU. The emphasis of this survey lies on those products, which are of importance to DC suppliers. The role of and opportunities for DC are highlighted.

This market survey discusses the following product groups:

Title market survey	Product category	Product group	Products
Natural stone and stone products	Intermediate stone products	Blocks & slabs	Calcareous blocks and slabs
			Siliceous blocks and slabs
			Slate and other blocks and slabs
	Finished stone products	Landscape design	Setts, curbstones and flagstones
		Flooring & cladding	Tiles
	Calcareous monumental or building stone		
	Siliceous monumental or building stone		
	Slate monumental or building stone		
	Other monumental or building stone		
	Funeral & other art	Calcareous funeral and other art stone	
		Siliceous funeral and other art stone	
		Other funeral and art stone	

In this segmentation, most of the products are characterised by the nature of the stone they are composed of (calcareous, siliceous, slate and other). This is not the case for the landscape design stone products which are considered here as an aggregate. The same applies to tiles within the flooring & cladding product group. Therefore, the analysis of data on the basis of natural stone products can only lead to a partial overview of the natural stone market. The segmentation used for this survey therefore focuses on the final use of the natural stone, as specified by the name of the product group, and will (whenever appropriate) give further information on the specific nature of the stone.

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 countries, 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

In this chapter, data from the Prodcom (production) database and CN (imports and exports) database as supplied by Eurostat is used to indicate apparent consumption. Apparent consumption is the sum of production and imports minus exports. Variations in inventory are not taken into account. Two problems occur: sometimes negative consumption is calculated: this is the case when exports are higher than production and imports combined. In that case, figures are treated as not available. Furthermore, the figures sometimes show a discrepancy between years, e.g. a large fall or extraordinary growth. For decision making these figures are therefore not accurate enough and they should be used in conjunction to further market research.

Note: In Chapter 1 Market description: consumption and production, we address the following product groups:

- blocks & slabs
- landscape design
- monumental and funeral

Monumental & funeral is an aggregate of flooring & cladding and funeral & other arts sub products groups which are disaggregated and dealt with separately in the Import/Export section. For more information about the product groupings, please refer to Appendix A.

1.1 Market size

In 2007, the overall volume of natural stone consumption was in the order of 1,1 billion square metres, which means an increase of +18% in comparison with 2005. China and the US are the most important consumers of natural stone products on a worldwide level (respectively 12% and 9% of the global consumption in square meters) and therefore remain the main drivers and indicators of the global consumption trends. Other important non-European consuming countries are India (7%), South Korea (4%), Japan (4%), Taiwan (2%) and Brazil (2%).¹

In this context, the EU still holds the position of one of the world's largest consuming areas: in square meter equivalent, the top 10 EU consuming countries represent more than 27% of the total global consumption of finished products. Two EU countries, Italy and Spain (with respectively 7% and 6%) are in the global top 5 consuming countries.

Table 1.1 EU consumption of finished stone products per EU Member State 2004 – 2008, € million/1'000 tonnes

	2004		2006		2008		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU, of which	7'452	32'985	7'718	31'287	6'783	28'647	-2.3
Italy	2'305	15'205	1'741	12'995	1'810	10'678	-5.9
Spain	1'369	4'360	1'618	4'463	1'236	3'832	-2.5
France	821	976	888	1'194	810	1'054	-0.3
United Kingdom	751	924	965	1'625	698	825	-1.8
Germany	751	7'050	801	6'252	613	5'496	-5.0
Belgium	254	733	278	869	230	659	-2.5
Ireland	136	225	222	342	204	323	11
Netherlands	172	465	196	403	200	429	3.8
Poland	72	291	89	322	190	499	27

¹ Source: STONE 2008 publication.

	2004		2006		2008		Average annual % change in value
	value	volume	value	volume	value	volume	
Austria	171	330	169	327	161	311	-1.6
Greece	97	230	108	428	151	463	12
Portugal	226	620	219	609	133	489	-12
Denmark	66	207	93	209	84	219	6.3
Romania	17	45	37	124	57	264	36
Cyprus	20	52	21	60	34	90	13
Hungary	28	954	40	644	33	343	4.3
Sweden	15	38	38	111	27	75	17
Czech Republic	14	0.0	22	0.0	25	37	15
Luxembourg	34	62	19	44	20	38	-13
Lithuania	6.9	16	11	31	17	47	25
Slovenia	10	16	3.5	29	12	26	5.2
Bulgaria	13	52	27	138	11	82	-2.9
Latvia	3.7	22	6.4	37	10	20	27
Finland	81	64	80	60	n.a.	50	-0.6
Malta	3.0	3.9	4.7	15	6.7	11	22
Estonia	5.9	165	10.0	100	3.8	26	-10
Slovakia	9.2	15	10.4	32	1.4	41	-37

*CAGR: Compounded annual growth rate

n.a.: not available

Source: Eurostat (2009)

In 2008, the EU consisted of monumental & funeral products (72%), blocks & slabs (19%), landscape design products (9.2%). The consumption of blocks & slabs has been dropping significantly since 2006 (-27% per year). The biggest buyers in terms of volume are Italy (33% of the EU consumption), Spain (31%), France (10%), the UK (7.5%), Greece (5.2%) and Poland (4.5%). The stagnation of the growth indicates that the EU is increasingly importing finished stone products. Cheap foreign suppliers provide most of these products now. This development is progressively extending while challenging the demand for intermediate stone products.

The per capita consumption of intermediate and finished stone products in the EU is traditionally above the global average of 1 square meter per 100 inhabitants. Five countries (Greece, Belgium, Spain, Portugal and Italy) in the EU consume more than 1 square meter per capita.

The economy and the construction sector, the largest consumer of natural stone and stone products, are the main drivers of the natural stone and stone products consumption. Between 2004-2006 the EU economy and construction sector in most EU Member States showed a healthy growth. Several countries experienced considerable growth in residential construction, both in new residential construction and in renovation and modernisation. Especially, during this period the new Member States of Central & Eastern Europe enjoyed a higher growth rate than their Western European counterparts as a result of their accession to the EU. As a result there was a strong growth of the natural stone consumption between 2004 and 2006.

In 2008, however economic growth went down (0.8%) and the construction sector decreased (-3.6%) due to the global economic downturn. As a result the consumption of finished stone products dropped by 6.2% per year between 2006 and 2008. With the economic crisis heavily affecting the business (e.g. construction) and consumer market the short term outlook for the natural stone market does not look good.

The downturn in the construction market in 2010 has been even worse than the overall economic downturn. In 2009, total construction output has dropped by 8.4%, while GDP is expected to contract by 4.0% by the end of 2009. The construction output of a majority of EU countries have been dropping significantly in the last year. The largest decreases in construction output were in Spain (-22%), Ireland (-32%), Finland (-14%) and the UK (-13%). The explanation for the downturn is to be found in the huge drop in new residential construction (22.5%), as well as in the sharp decline in new non-residential construction (12.7%), a segment which still grew last year. Poland (5.3%) is the only country in the EU that does not seem to be affected by the economic crisis. ²

Despite the expectation that the economy will start growing again in 2010 (0.7%) and persist in 2011 (1.6%), the construction sector is expected to stay behind until. New residential construction and new non-residential construction segments are expected to continue their downturn. This will strongly affect the demand for natural stone used in and around the house or building such as flooring and cladding tiles and natural stone used in kitchens and bathrooms. Based on the construction figures the natural stone demand is expected to remain strong in Poland, Slovakia and Sweden in 2010 and 2011. In 2012 however the construction sector should outperform GDP growth.

In the consumer market things are not looking good either. Despite some current fluctuations, consumers are expected holding on to their money at the moment waiting to see what the future will bring them. Instead of upgrading and investing in a new house they might however renovate their existing house fuelling the demand for natural stone products often used in renovations. For example, 10mm tiles that can be laid on existing floors.

However the EU also has a number of very interesting other natural stone market that although they are in decline provide good opportunities. A number of countries have a long tradition with natural stone (e.g. Austria, Belgium, and/or are large markets (e.g. the UK, Germany, Italy, Spain). Although these countries often have a preference for local natural stone the buyers in these countries are also sensitive to new trends, materials, applications and low prices (see Consumer trends and developments). For more information refer to the CBI sector surveys in individual countries.

1.2 Market segmentation

An important distinction within the above segmentation is the distinction between the industries using semi-finished products as input (i.e. the natural stone processing industry) and the industries using finished products as input (i.e. the building industry, the funerary industry and the consumer market). Currently four different end-users can be identified:

Natural stone processing industry

The natural stone processing industry purchases intermediate stone products (blocks & slabs), and produces final products like tiles, kitchen counter tops, and windowsills. The type of firm in the processing industry ranges from small specialised firms, producing custom made fireplaces, to large firms producing natural stone tiles. The customers of the natural stone processing industry can be the building industry, the funerary market or the consumer market. The products that can be sold to the processing industry are slabs, blocks and/or semi-finished products.

The building/construction industry

The key decision makers in the non-residential markets are architects and controllers on major building projects. In order to minimise risk, they tend to demand products that comply with certain national or international standards. The professional market is a large buyer of low and mid-range products that comply with the official standards. With more prestigious projects where safety is an important issue quality is particularly important. In the *residential* market,

² Source: Euroconstruct

although the influence of architects is still large, the influence of the buyer or tenant on the product choice is growing.

Products that are sold in this market are:

- All kinds of natural stone floor and wall tiles for interior and exterior coverings;
- Custom made finished products like kitchen countertops, balustrades, fireplaces, windowsills and fountains;
- Municipal furnishing like setts and curbstones and
- Garden and landscape construction like tiles and flagstone.

The funerary industry

The funerary industry is the second largest consumer of finished stone products (around 10-15%). Products that are sold in this market are mainly traditional gravestones, tombstones, and urns.

The consumer market

The consumer market has a relatively limited consumption of finished stone products (roughly 1-5%). It mainly purchases tiles and products used for garden decorations like flagstones, garden art, birdhouses, fountains, and decorative balls and vases.

The consumer market is made up of various kinds of retailers such as Do-It-Yourself (DIY) stores, garden centres and different kind of boutiques (tile, bathroom, kitchen or combined). In the consumer market (except for the boutiques) there is also a tendency to use more basic construction materials. Individuals purchase directly from the retail channel or otherwise installers and contractors will do this for them. Installers and contractors will also buy from importers and wholesalers. The decision makers in the private market are usually the end-consumers. Architects, contractors and other players certainly have influence on the consumer but the decision is usually up to the end-consumers.

The low and mid price ranges of products are covered to a large extent by sales through Do-It-Yourself (DIY) outlets. The DIY segment is largest in Western Europe (i.e. Germany, France, UK, The Netherlands and Belgium). Over recent years, the volume of sales through the DIY channel has increased and continued growth is expected in the future, due to a shift from project developers towards the private market. This growth will be at the cost of trade through other channels. In the past, DIY centres focused primarily on cheaper stone products and tiles. Currently, more emphasis is placed on upgrading the range of products. In addition, the increasing consumer interest in bathrooms has led to larger bathroom and tile departments. An increasing number of DIY centres without a showroom are creating space for one.

1.3 Trends

The existing differences in national consumption trends in the EU can be explained by factors such as historical and cultural traditions of a country, and climate (a warm climate is better suited for natural stone). Still, some general trends can be spotted at an EU level.

The diversification of use of natural stone and stone products

Natural stone is becoming more and more popular for large projects. It lends itself for widespread use and for various applications. For example, in public buildings, public works like roads and parks to office buildings, commercial centres, hotels, and private homes. Granite is nowadays often used for airport projects as the flooring material. This is partly due to the dropping price, high quality, durability and elegant appearance. DC exporters therefore would step into a willing market.

EU funding 2007-2013

For example, at the moment a lot of the newest 12 Member States (EU12)³ are using EU funds to construct large infrastructural structure (e.g. airports, medical facilities and roads). This is an ideal opportunity for natural stone suppliers in case they are able to supply large amounts of natural stone and can find reliable local partners (see Chapter Trade Channels).

An affordable luxury

Natural stone has for a long time been a luxurious products only affordable by people with money. In recent years however the price of natural stone has dropped significantly making it affordable for a wider audience. Nonetheless, natural stone is still looked upon as a luxurious product identified with notions such as "prestige", "enjoyment", "sensuousness" and "joy of living". This is especially true for the consumer market for natural stone used in around the house. There are however still large quality and price differences between the various types of stone. Furthermore, the differences also apply to the same type of stone. The trade channels used can therefore also differ. There are specialist stores on the one hand selling high quality natural stone. On the other hand, low and middle quality natural stone is often sold through do-it-yourself markets (see Chapter Trade Channels).

Price/quality ratio

Before approaching potential buyers you should develop a good price/quality ratio for your product based on European standards.

Alternatives

Although natural stone is widely appreciated in the EU there are many alternatives:

- Flooring & cladding: carpet, ceramic and wood are serious competitors for flooring and in the case of ceramic also cladding. The design possibilities of ceramic are bigger than that of natural stone making it easier to experiment with colour and design.
- Countertops: composite is growing in popularity. The selling points of composite include a wider colour range, its durability and weight (lighter than natural stone). Although the price is often similar or even higher than natural stone quartz is becoming a serious competitor for natural stone. Furthermore, you can also benefit from the popularity of composite. For example, composite is processed by the same machines as natural stone. Processors in DC can therefore decide to focus on both markets.

Natural stone is however an authentic and natural product that satisfies traditional as well as modern design trends. You should therefore emphasize these characteristics in their marketing activities.

Interior design developments

Wellness and relaxation have also become more important to the home and has led to the increased popularity of the bathroom. Seen increasingly are showers (so-called "wet rooms") and free-standing baths or bath tubs of natural stone, indoor or outdoor pools or separate spa areas; even the marble bath is not an unaffordable dream anymore.

Another trend is the wider utilisation of natural stone tiles throughout the house. Whereas natural stone flooring was only used in the hallway or kitchen before, now it is being laid across the entire ground floor. One of the reasons for this is the increased use of under floor heating which is important in a colder climate. People are also looking for alternatives for the traditional floor covering, i.e. carpet. In addition, gardens are predicted to become an even more marked status symbol in the future, and the design of parks, and open spaces will increasingly become an image factor for towns and communities.

Colours, design and materials

There are currently many types of stone and colours circulating that can satisfy many different tastes. One of today's trends is toward high-quality products with a combination of different materials and colours. Simple forms are intentionally used as contrast to lavish materials and

³ These countries are Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Malta, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia.

multifunctional design. Colours are more and more subject to trends. One can notice variations in colours depending on the European geographical location: Northern European countries largely prefer “warm” colours or “darker colours”, and Southern European countries prefer “light” colours. One trend signalled is brown toned-in stone, in addition to cream and beige, which refers to a trend already existing for a few years now in Europe: creating an authentic atmosphere by using earth-colour stone. Stone consumption of less toned variations products has increased.⁴ In line with this trend for more authentic products the trend has moved away from glossy finishing; the alternatives are ground, sanitized, sand-blasted, brushed, flamed or bush-hammered.

Visiting fairs and conferences

Since trends in colours and design are evolving faster and faster, it is recommended to regularly visit trade shows in order to keep track of the current consumption trends.

A trade mark for European stone

Euroroc (the Federation of European stone industries) has created a trademark for European natural stone products to ensure consumers to get real stone. It aims at safeguarding natural stone products from ceramic or agglomerate imitations. A “genuine stone” logo will be introduced within the next years all over EU with the support from the national stone associations.⁵ In addition, trademarks also exist in several EU Member States:

- In Italy, more than 30 of the main players in the Italian stone industry have joined hands to create a trade mark (“Pietra Naturale”) in order to protect their production against ceramic imitation, to promote the “made in Italy” know-how and tradition against foreign competition and to maintain its share against other floor and wall covering products.
- In The Netherlands, the natural stone sector came up with ‘Keurmerk Natursteen’ giving companies a chance to distinguish their products from the growing number of foreign products on the Dutch market. The trade mark guarantees the quality of the processed natural stone products.

Consumers tend to appreciate local products, especially when it comes to natural stone. However whether these trademarks are recognized and appreciated by consumers remains to be seen. The low- and middle segments of the market focus mainly on price. DC exporters can respond by also focussing on quality management (e.g implementing a management system).

Weather conditions and demand

An important factor that determines demand is the weather condition. Take into consideration the diverse weather conditions throughout Europe. Some countries, especially Western European, have a lot of rainfall. Northern and Eastern European countries in addition can be very cold in the winter. Southern European on the other hand are warm. This requires special features (e.g. frost resistance) for natural stone that is used outside. Local natural stone can withstand the local conditions and are therefore durable. You should therefore know the characteristics of your products, target the right market and use it as a selling point.

Sustainable stone

The EU market proves to be more and more sensitive to sustainability issues, also in relation with natural stone. Specific attention is paid to the following elements in both quarrying and processing:

- Social issues: occupational health and safety, discrimination, child labour, sub-standard wages, freedom of association and the right to collective bargaining and working hours.
- Environmental issues: impact on ground and surface water, water recycling, emissions in water and air (e.g. dust), destruction of habitat and land degradation, noise and visual impact (to surroundings), reclamation and rehabilitation of abandoned quarries.

⁴ Source: Indian Stone

⁵ Source: www.euroroc.net

Problems in China

The Centre for Research on Multinational Corporations (SOMO) has researched the sustainability issues regarding extraction and processing in China. In its publication *Improving working conditions at Chinese natural stone companies* (http://somo.nl/publications-en/Publication_2459) it describes these issues and offers options for improvement. These issues can be similar to the situation in your country. Therefore it is advised to read this publication carefully if you are interested in the topic.

Sustainable procurement policies are implemented by governments and organisations under pressure of public opinion. Sustainability is a popular topic in the EU at the moment and is expected to become an important matter in the natural stone industry. Some initiatives have already taken form:

- In Germany, the Xertifix certificate for child and bonded labour free natural stone from India has been set up.
- The Dutch national eco-labelling Foundation Stichting Milieukeur (SMK) developed a certification scheme for furniture, in which requirements for stone are formulated, concerning, specifically, the extraction of natural stone.
- In the UK, Marshalls, a company specialised in construction materials including natural stone, has adopted the Ethical Trading Initiative (ETI) code and works towards implementation of this code by its Chinese and Indian suppliers of natural stone.
- The European Commission has established an eco-label for hard floor coverings that aims to promote products with a reduced environmental impact compared with other products in the same group. Please consult the CBI database for detailed information on those requirements <http://www.cbi.eu/marketinfo> - Search by keyword 'hard floor coverings'

Natural stone itself is however considered more sustainable than a large number of alternatives. According to a recent study by the Institute for Building Physics and Building Ecology the longer a building is being used the more appreciable the advantages of using natural stone. Building with natural stone is more economic and ecological than building with exterior claddings of aluminium or glass when looking at energy costs of production, heating and cooling. In view of rising energy costs, this could prove a huge benefit. You can therefore benefit from this development in case you have addressed the sustainable issues in your own country regarding extraction and processing.

Demographic developments

Birth rates in the EU are generally low. Nonetheless, the increasing dissolution of marriages, while causing a reduction in the average number of inhabitants per house, has an influence on the total demand for the number of housing units. The number of house owners in the EU is increasing (approximately 60% of the families own the house they are living in), but remains relatively low in Germany and the Netherlands (approximately 50%). Furthermore the EU is faced with an ageing population. The increase in the number of wealthy senior citizens has had an effect on the housing market. Although they might move to smaller housing units, they are generally inclined to spend money on interior design including bathroom, kitchen, gardens and other parts of the house where natural stone and stone products are used.

1.4 Opportunities and threats

- + The EU is the largest single market in the world for natural stone and stone products. This fact makes the EU an attractive target for DC willing to access international markets.
- + Growth in markets where natural stone consumption has a long established tradition (globally, the highest per capita consumption) means that quality standards are relatively high. Suppliers of high quality and, especially, exclusive stone will therefore be able to find market openings easier.
- + In recent years the demand for finished stone products is increasing at the expense of intermediate stone products. This trend is expected to extend into the future.
- + The growth of consumer awareness has led to an increased interest in products from sustainable sources. DC manufacturers who take a pro-active approach to environmental and social production norms will have a competitor-advantage.

- ± Overall the economic crisis will have a great impact on the natural stone market mainly due to the drop in construction activity and consumer spending. However, some Member States, mainly Eastern and Central European countries will be less affected.
- Natural stone trends are evolving increasingly fast. For exporters, this requires the ability to spot those trends by pro-actively approaching those markets and to respond to them adequately.
- The EU is a market with increasing high quality expectations and standards, which can be hard to meet for DC competing with suppliers from other geographic areas.
- The European natural stone sector is more and more trying to protect their market by focussing more on marketing their products (e.g. place of origin and quality marks).

1.5 Useful sources

- Stone report - <http://www.stonereport.com> - information portal on the stone products
- Stone info - <http://www.stoneinfo.com> - information portal on the stone products
- Litos Online - www.litosonline.com – stone industry portal with sector information, trends and news
- Euroroc - <http://www.euroroc.net> - site of the European and International Federation of Natural Stone Industries
- Immcarrara - <http://www.immcarrara.com> - information source on the world stone sector (trends, products)
- Gogostone - <http://www.gogostone.com> – natural stone professional site with information on products worldwide

2 Production

2.1 Size of production

Overall, it can be stated that at the global level, production figures have risen in the last years and that more and more countries are involved in the production process. Over the last twelve years volume of marble and stone quarried and processed has doubled, which can be attributed to new production techniques and research, making the exploitation of (in particular more dense) stone material much easier.

In 2007, the world's biggest producers were (in descending order): China, India, Turkey, Italy, Iran, Spain and Brazil. These seven countries represented 71% of all natural stone. China on its own accounted for 26% of the global production.

Table 2.1 EU production of finished stone products per EU Member State 2004 – 2008, € million/1'000 tonnes

	2004		2006		2008		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU, of which	8'351	32'709	8'389	29'753	7'113	24'125	-3.9
Italy	3'719	17'099	3'232	14'769	3'158	12'197	-4.0
Spain	1'884	5'221	2'133	5'252	1'697	4'583	-2.6
France	609	363	603	352	503	306	-4.7
United Kingdom	494	348	637	953	357	149	-7.8
Germany	395	5'673	407	4'659	273	4'099	-8.8
Portugal	327	1'095	334	1'145	267	985	-4.9
Greece	136	349	159	436	187	436	8.2
Ireland	91	133	127	143	129	140	9.2
Poland	57	382	65	351	110	256	18
Belgium	230	660	219	550	109	140	-17
Austria	110	146	104	134	90	102	-4.7
Netherlands	83	0	84	0	77	22	-1.8
Finland	114	66	134	96	41	30	-23
Denmark	33	30	44	32	34	21	0.3
Romania	15	33	24	68	21	132	8.0
Czech Republic	9.0	60	10	8.0	17	137	17
Hungary	8.8	909	13	581	15	301	14
Lithuania	3.4	5.6	6.2	12	7.7	17	23
Slovakia	3.1	1.9	2.5	3.1	6.6	4.6	21
Slovenia	4.4	3.8	4	24	6.1	5.0	8.5
Latvia	1.7	2.2	2.8	2.2	5.4	3.7	34
Bulgaria	13	67	24	136	2.0	58	-71
Sweden	5.6	0.5	14	34	1.9	0.8	n.a.
Estonia	4.8	64	8.2	14	0	0	-100
Luxembourg	0	0	0	0	0	0	n.a.
Malta	0	0	0	0	0	0	n.a.
Cyprus	0	0	0	0	0	0	n.a.

Source: Eurostat (2009)

n.a.: not available

In 2008, the EU produced 24 million tonnes of finished stone products. The biggest producers of natural stone products are Italy (44%), Spain (24%), France (7.1%), the UK (5.0%) and

Germany (3.8%). Those top 5 countries represent 84% of total EU production. Most of the countries in the EU have seen in recent years stagnation or decline (e.g. Germany, France, Italy, Poland and Austria). This is also noticeable when looking at the EU totals: consumption dropped by 2.3% per year while production decreased by 3.9% annually. This means that producers are losing ground to foreign suppliers competing in all quality ranges with cheap products. Even in Central & Eastern Europe, despite the low structural and labour costs, the local small and medium enterprises can scarcely satisfy the demand.

The picture is similar for intermediate stone products. Production dropped by 29% per year since 2006 totalling € 1.5 billion in 2008. The biggest producers in terms of volume are Spain (48% of EU production), Italy (30%), France (6.7%) and Greece (6.6%).

The demand for blocks & slabs is declining because of the aforementioned increase of imported finished stone products. The quantity of stone quarried and processed in Europe has dropped since 1990. Whereas almost 60% of world demand for natural stone in 1990 was still covered by natural stones from Europe, this figure is now not even 50%. However, globalisation of the market has also benefited some countries with an innovative and flexible production industry. For example, in contrast to other EU producing countries, Spain is still doing well, as it has access to diverse markets and has China as a very good trading hub for its marble blocks & slabs.

The short term future for the production sector in the EU does not look good. Although the EU is still looked upon as the global trendsetter in terms of trends, product innovation and technology, it is slowly losing ground to cheaper suppliers from outside the EU. In the last decade technology and know-how has become available to countries like China and India that were formerly mainly raw material suppliers. Nowadays these countries are able to produce according to the quality demands of the EU market and have the first pick of raw material, giving them an important competitor advantage. Therefore, it is harder for European manufacturers to seek refuge in the higher end of the market. A way to fend off competition is by working together. Extraction and processing companies are more and more forming national and international alliances. Available possibilities for co-operation range from quarrying and production to pricing and marketing.

Together with a declining global economy and construction sector, EU production is expected to go down. For individual producers however, there are still opportunities to take advantage of the new situation. The opening of new markets and processors taking up different roles might provide opportunities for producers. Processors that are unable to compete with DC suppliers could start acting as importers or wholesalers or even ultimately become retailers instead of focussing on adding value to raw natural stone material.

2.2 Production trends and developments

Demand for new technology

New innovative processes for quarrying work such as chain cutting, wet hydraulic boring work, and diamond wire have become more frequent in both Europe and DC. Another area of improvement is in post-quarrying work, which includes:

- Computerised numerical control (CNC) systems: this area applies to the traditional phases of sawing, cutting and surface treatment, processing work with a high added value, and the reproduction of artistic manufacturing pieces.
- Laser technology: in order to obtain an anti-slip surface on polished natural stone tiles. These machines "chisel" 8,000 to 10,000 micro craters per second in the stone by which various degrees of anti-slip effect can be achieved, depending on the spacing and size of the individual craters. The processing only slightly reduces the gloss and brilliant colours of the polished stone and the mini-craters are designed so that the slabs are still easy to clean.
- Bridge saws: this traditional tool has been modified to integrate new technology. The numerical controller has been improved and extended, for example, by the teach-in

method. Here a certain position is approached and stored by the controller. In addition, almost all manufacturers are equipping their saws with CNC controllers that can be connected to industrial PCs using the Windows operating system. This makes it possible to generate complex cutting data via various drawing and design programs and then transfer these data from the office to the saw. On the other hand, there is a trend towards compact but powerful bridge saws, which are especially suitable for smaller companies and are easy to operate without CNC knowledge. Highly developed bridge saws are meanwhile equipped with computer-controlled turntables, which in conjunction with swivelling and rotating milling heads permit radii and complex profiles.

These technologies require significant investments and therefore not always an option for small companies in DC. They will often have to rely on European partners that invest resources and know-how. There are however a large number of European companies interested in doing so.

Investments: a key condition to expanding production

In short, the state of technology and production in the natural stone sector can very much be characterised as a mature sector. It has achieved exceptional progress in a short period of time, and now needs further investments, and incentives in order to avoid stagnation. This currently causes the EU countries' production to stagnate to the advantage of newer dynamic producing countries. At the company level, stone processing demands increasingly high investments in modern equipment. The same applies to extracting activities, not only to access the raw materials, but also to market the extracted material (expensive commercial investments such as opening their own warehouses). This can severely affect the growth potential of smaller producers.⁶ This provides opportunities for DC producers however is also a problem for them as they face the same problems. The difference is that DC producers have the benefit of lower wages and are closer to the source.

Environmental policies constraining EU production

In recent years, some EU countries, especially Greece, have seen the growth rate of their production of intermediate material declining. This has been the result of national environmental policies that restrict the development of extraction and processing activities. In DC however these measures are however not enforced yet. Still, experts announce that such environmental policies could become more common in other big producing areas, as the demonstrated by recent preoccupations in India and China.

EU product logo

The Federation of European Stone Industries (Euroroc) and several national natural stone associations are developing a logo to guarantee the nature and quality of natural stone marketed in Europe. The logos are often developed to emphasize the quality of locally produced natural stone products are a way to protect the domestic market. However, DC suppliers of natural stone with high quality might be able to find market openings by approaching these companies award with a quality certificate.

Alternatives

Several countries in the EU extract large amounts of natural stone that is appreciated greatly in the country itself. For example, carrera marble from Italy of Belgian Blue Stone. Natural stone in DC often has the same appearance and characteristics as those national products. You might therefore be able to offer similar stone and compete with local suppliers on price. Therefore it good to be well informed before approaching buyers. Refer to the website of Graniteland (www.graniteland.com) for specific information about natural stone types that are extracted in a specific country.

Belgian Blue Stone

Belgian Blue Stone (<http://www.pierrebleuebelge.be>) advises the visitors of their website not to use imitation blue stone but the original Belgian products. It states that the stones do not have the same appearance nor technical properties as Belgian blue stone. Furthermore, they

⁶ Source: <http://eurasian.com/articles/2003/week28.html>

do not meet the same quality criteria and seldom comply to the specifications of our sites. The company gives other reasons to only buy original Belgian blue stone:

- **Uniformity of deliveries:** the diverse and uncontrollable supply sources of the Asian stones frequently result in deliveries composed of inconsistent stones.
- **Aesthetic:** the stones have neither the same shades nor the same patina as Belgian Blue Stone. They do not contain crinoids. Since they are often mixed with Belgian Blue Stone on the same site the differences in appearance and quality are immediately apparent.
- **Mechanical and Chemical Characteristics:** the compressive strength and the chemical composition of the Asian stones are extremely variable. Tests for frost resistance are not performed in the same climatic and construction conditions as in Belgium.
- **Quarrying methods:** blocks are often extracted using explosives causing micro-cracks which are undetectable at the time of taking delivery.
- **Selection criteria:** while in Belgium only 15 to 20 % of quarried stones are selected for marketing as ornamental stone, Asian stones are not selected according to the same quality requirements.
- **Certification:** while Belgian Blue Stone has certifications guaranteeing its quality (ATG with certification, ISO, Designation of Local Origin), the imported products are only subjected to a few tests and therefore do not comply with all the criteria. The Belgian Blue Stone quarries are also ISO 9001-2000 certified.
- **Ethical:** Asian stones are produced in human and social conditions which are very different to the Belgian conditions in terms of safety, working hours and child labour. They do not produce any consequences in relation to employment, on the contrary they threaten many direct and indirect jobs in the Belgian quarrying industry.

Although these points are open for debate, you should be know that these prejudices can exist among European buyers. Therefore, it is advised to study these prejudices and take action wherever possible to reassure your buyer these problems do not occur with your company.

2.3 Opportunities and threats

- + Stagnating EU production does not meet the increasing domestic demands, therefore offering market openings for exporters from DC.
- + Technology and know-how becomes more accessible to DC and enables them to improve the quality of their production while mature EU countries continue to experience a lack of investment.
- + Due to the increased globalisation of the natural stone market, EU producers are looking for ways to fend off competition. This includes working together with and investing in DC.
- + In the EU constraints on the exploitation of new quarrying sites due to environmental and social measures are making it harder for EU companies to extract natural stone locally.
- Recent years has helped a lot of new players to emerge on the EU market increasing the competition on the international market.
- The capital intensive industry is challenging the development opportunities of smaller producers.

2.4 Useful sources

- Stone report - <http://www.stonereport.com> - an information portal on the stone industry and products
- Stone info - <http://www.stoneinfo.com> - an information portal on the stone industry and products
- Litos Online - www.litosonline.com - a site with information on trends in the stone industry and international trade fairs
- Euroroc - <http://www.euroroc.net> - the site of the European and International Federation of Natural Stone Industries
- Immcarrara - <http://www.immcarrara.com> - a information source on the world stone sector (trends, products)

- European Construction Industry Federation - <http://www.fiec.org> – formed by global and SMEs construction enterprises from the EU, Croatia and Turkey

3 Trade channels for market entry

3.1 Trade channels

The route from the producer of natural stone to the ultimate consumer varies with the type of product. Figure 3.1 below presents an overview of the product flows from producer to consumer for the different kind of product groups set out in chapter 1.

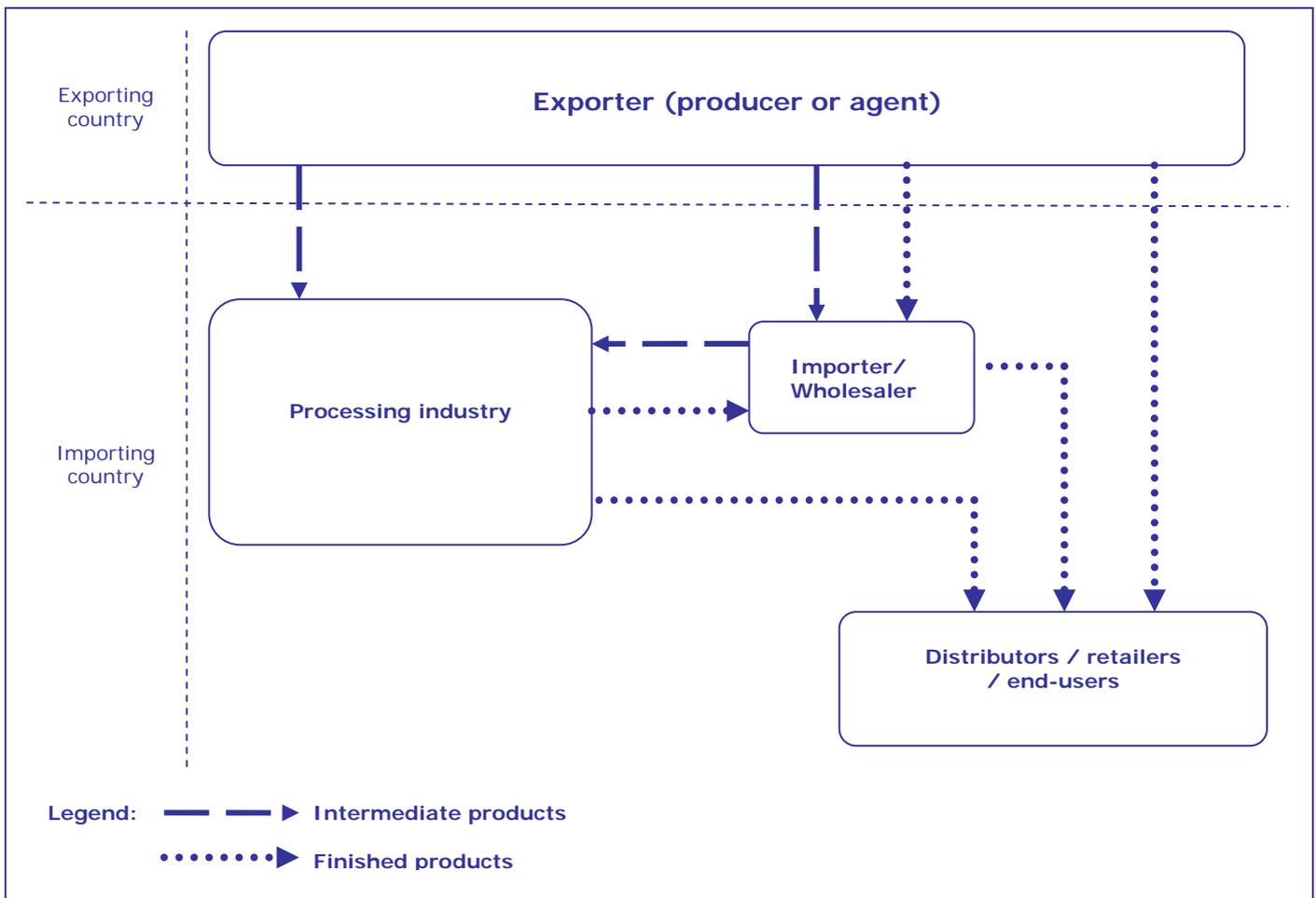


Figure 3.1 Trade structure within EU countries

Here is a typology of the trade channel players that the exporter from DC will encounter in the EU:

Importer / Wholesaler

The natural stone sector can be characterised as open and straightforward, and most of the importers / wholesalers in the marketplace know each other. They often stock the materials (intermediate or finished stone products) by container/truck load, and sell them locally through established stone manufacturers (the processing industry), distributors, retailers, contractors or architects, by the pallet, box, or bundle. Recently, it has also become more common for contractors, and even retailers or architects to import directly, however, still on a limited scale. Some examples of EU importers are given below:

- Rossistis is one of the largest importers and wholesalers in the EU located in Germany. It imports a wide variety of intermediate and finished products from countries worldwide. It deals exclusively with several suppliers in India and Brazil.
Website: <http://www.rossittis.de>

- Antolini Luigi & C is a large wholesaler/producer in Italy. This firm has its own quarries but also buys raw blocks around the world and processes these blocks into slabs, or finished goods such as tiles for flooring or cladding, kitchen counter tops, stairs etc, which are sold worldwide. The company buys all sorts of raw blocks (siliceous and calcareous) from almost all natural stone producing countries but does not buy finished goods. Website: <http://www.antolini.com>
- The R.E.D. group consists of eight producing companies in the principal producing countries, several agencies and five sales companies with offices and stockyards in Italy, Spain, France, Belgium, and Germany. The R.E.D. group also invests in quarry operations in DC and buys raw blocks from natural stone producing countries. Website: <http://www.redgraniti.com/en>
- In The Netherlands, the largest importer is Natuursteen Holland B.V. which purchases from DC products such as are granite, marble, slate, and quartzite. It is also a big importer of intermediate inputs (i.e. blocks and slabs) and finished goods (i.e. tiles for flooring and cladding and garden art). The main DC with which the company keeps close trading relations are India, Brazil, and South Africa. As for all European importers, the price/quality ratio of the product (including packing) stands out as the most important factor influencing the purchase decision. Website: <http://www.natuursteenholland.nl>

Please also refer to the CBI market surveys covering the market in individual EU countries for more examples of importers/wholesalers.

Travelling importers

A lot of natural stone importers in the EU have staff that travel the world in search of good priced quality natural stone and new materials. These importers are usually larger companies with a large network and resources. A lot of the business therefore takes place in DC and **not** in the EU. Therefore setting up warehouses and investing heavily in establishing yourself in the EU is not always the best way of working. It might be easier to find out what importers are active in your country and invite them to your facility. They might be able to drop by on their next visit to your country. For more information about EU importers in different countries refer to the CBI sector surveys covering the market in individual countries.

Distributor

In general it is difficult to differentiate between the distributor and wholesaler/importer since the most common situation in the EU is that importers/wholesalers largely also distribute and retail natural stone and stone products. The distributor's role is to warehouse the products, and to have a showroom and/or sales representative in order to show and sell stone to the retailers, stone manufacturers, and contractors. The main challenges for a distributor is to control stocks of tiles, slabs, and other stone products, while also mixing and matching shipments of stone. In addition, predicting and having the right stock, colour, size, and quantity a buyer might want is a challenge all distributors face. As suppliers in the EU have grown in recent years, competition has been increasing, which also has affected the price of stock. However, the quality or selection of stone also largely influences the level of prices, and when new stone of similar colour enters the market, the pricing of stone becomes more difficult and competitive.

Agents in your country

Because larger importers are often active in your country they have a large network of people. Hiring local agents is therefore not always necessary for them. Working through a agent reduces the importer's control on the various aspects of trade. Agents also do not always have the best reputation among EU importers. Therefore do not commit yourself to an agent too fast and use your national network to inform about the different options.

Processing industry

The processing industry consists of small, medium or large companies such as tile manufacturers or stonemasons. They produce finished goods such as tiles, tombstones, and

custom-made kitchen countertops. While in Southern Europe, every village has approximately two stonemasons and the craft is more traditional, the processing industry in Northern Europe is much more channelled and standardised. Large firms in the processing industry are likely to import blocks or slabs of natural stone themselves while small firms are more likely to purchase blocks or slabs of natural stone from wholesalers/importers or distributors. Due to a long history of natural stone exploitation and possession of sawing machines, the Italian and Spanish processing industries are traditional big importers of blocks & slabs.

Processing partners

EU production companies should not only be looked upon as competition. Large processors will often import directly without the use of an importer. They will seek for partners abroad that are able to offer a large and continuous supply of natural stone. These demands will be harder to meet for smaller suppliers in DC.

Retailer/end-user

Retailers (garden centres, DIY-stores) and end-users (building contractors, undertaker, stone masons) usually get stone samples from, and order stone from the wholesaler/importer and distributors. This allows them to access an extensive range of stone and benefit from extra services such as just-in-time-delivery. Therefore exporters from DC rarely deal with this trade channel. Moreover, up to now European retailers did not have a big offer of natural stone. However, because of the growing popularity of stone, some retailers are starting to create more space in their showrooms to display stone, and present stone that fit their clients' specific demands such as colours, rustic stone, patterns and designs, trim pieces, etc. Currently, this trend remains a very limited option for exporters from DC.

A trade channel that has become increasingly important in recent years is the DIY-outlet. The substantial rise of house prices has made it more interesting for consumers to renovate and restore their homes. The DIY stores, generally focussing on the low and middle end of the market, are now able to include a wide assortment of natural stone and stone products due to the dropping prices.

Internet

Exporters should also realise that the Internet is becoming an important medium in trade of natural stone. Through the Internet prospective buyers can assess over 1,700 types of natural stone, and prices and direct orders can be placed. The Internet provides the opportunity to buy directly from the exporter. However, buying through the Internet is not optimal yet. Personal relations are still very important in the natural stone market. Furthermore, seeing the product before buying is especially important due to the large difference in quality.

Online promotion and networking

In the natural stone business personal contact is very important. However, when approaching potential buyers the Internet can be a valuable tool. By having a professional website (preferable in English) you can inform them about your company and products. Furthermore, you can use the Internet to look for new customers. Do not only look on the sector specific websites but also use the so-called "new media" like social network sites. LinkedIn (www.linkedin.com) is a social network site for professionals. If you fill in 'natural stone' in the people directory you will find many professionals that are active in the natural stone sector including their company, background and position. If you deal with only marble, just fill in 'marble'. The best way of finding out is by being creative. Once you have registered you can invite the people to join your network and you might establish a new business relationship. Another example of a social network site is Facebook (www.facebook.com). There also many network sites that specifically focuses on one specific country. For an overview refer to Wikipedia (http://en.wikipedia.org/wiki/List_of_social_networking_websites - see General)

Distribution channels for developing country exporters

For both blocks & slabs and finished stone products, the most appropriate distribution channel for exporters from DC (the quarry owner, processor, or trader) is the wholesaler channel. In

both segments, the wholesaler channel accounts for the largest turnover. The other distribution channels, e.g. the processing industry and the retailer/end-user, mainly work through wholesalers. Moreover, EU retailers are generally difficult to access because most of them are scattered and buy low volumes.

Recently, it has been noted that some of the biggest exporters from DC are setting up their own warehouses in strategic places to be closer to their clients. One of the advantages is that it makes it possible to not only sell full trucks and containers but also smaller quantities. There are now many warehouses of granite companies in the different cities in Italy, Spain, Portugal, France, The Netherlands and Poland.

In any circumstances, because of the very strong competition in EU markets, natural stone producing DC will have to base their competitiveness in value added natural stone products on one of the following aspects:

- Exclusive type of stone or rare colour;
- Excellent quality of natural stone resources (meeting exact sizes and excellent polishing);
- Low-cost local inputs (notably natural stone and labour) to compensate for the high costs of imported inputs (sawing installations, polishing installations);
- Higher total productivity (measured across all factors of production i.e. natural resources of stone, labour, capital, and knowledge);
- Superior quality of products (including design) and
- Fulfilment of delivery criteria (always deliver in time), and packaging and labelling requirements.

The natural stone and stone products market is very much characterised as open and highly competitive, resulting in prices constantly being pushed down. EU importers therefore prefer to be flexible in their decision on which supplier to use and not to be tied to a specific exporter. It is, therefore, important that exporters from DC are strongly proactive and present themselves in the EU market by visiting trade fairs, and EU importers. It should also be noted that EU importers largely prefer long-term business relationships that allows for decreasing the risk of bad quality products or problems with delivery. Therefore, exporters from DC should also try to establish long-term relationships with EU importers/wholesalers.

Delivery time, transport and service

Delivery time is crucial for your EU partner. He has clients that are demanding and in some cases dependent on their delivery (e.g. construction companies). Therefore importers are often very much involved with the delivery of their purchased natural stone. Therefore they will often take care of all aspects of shipping the natural stone to the EU. In case you want to expand your service and increase your profit you can consider taking care of the in-country transport and shipping. It is **crucial** to team up with reliable and professional local transporters. Take into consideration the weather conditions that might delay the transport from the quarry. By regularly informing about the status of your delivery, you can keep your EU buyers updating and improve your business relationship. Please note however that poor performance might however damage your relationship.

Country reputation

Your country has a reputation as a stone supplier. For example, according to some industry experts Indian companies are known for not delivering on time. Chinese apparently have a better reputation. Whether this is true or not is not important. What is important, is that you are aware of this reputation and reassure your (potential) buyer that you stand out from other companies in your country by explaining what actions you have taken.

The effect of globalisation on the trade channel

The effect of globalisation on the trade structure chain has increased over the last few years. Traditional roles are changing because of fiercer international competition, increasing automation of production, and the introduction of information and communication technology. The production company is no longer simply located in the production area but opens up and

looks in other regions and countries. Trade channels are therefore becoming more complex and market roles are harder to define. For example, natural stone is extracted in one country, which was the main contractor in a second country, processed in a third country and installed in a fourth country. Such complex processes are ever more widespread due to the availability of technology and communication, freely moving capital and labour that can be shared and exchanged between different countries.

Globalisation and the effect on DC exporters

For you this can have several implications that may or may not apply to certain degrees:

- you might bind yourself to a role limited to extraction, while larger players in the EU move down the supply chain and invest locally in processing and trading activity,
- you can start to face increased difficulties in defending their shares not only in export markets in the EU, but also locally as new players come in,
- opportunity also arises for you to increase your cost competitiveness, for example, by delocalising stone processing to other DC to obtain a cost advantage.

3.2 Price structure

Different trade channels mean different export prices and margins for natural stone and natural stone products. The market prices for natural stone and stone products are not set by any (inter)national organisations or institutions. Prices are set in individual deals and contracts between suppliers and buyers. The price the consumer pays generally consists of the following components:

<p>Production cost price, including transport to port (i.e. FOB)</p> <ul style="list-style-type: none"> + Transportation and insurance costs (i.e. CIF) + Other costs (Storage, banking, marketing) + Import duties <p>Landed Cost price</p> <ul style="list-style-type: none"> + Margin Importer, Wholesaler, distributor, end-user or Retailer + Value Added Tax (VAT) <p>Consumer price</p>
--

For the exporter, the initial production costs can be divided into: fixed capital (land and building, machinery, rent), working capital (labour, raw materials, utility costs, other contingency costs) and government taxes and rents (royalties to exploit the quarry). Then, value is added within the trade channel from the logistics and services provided in this supply chain. These functions range from distribution and repackaging to sawing and processing activities.

The margins for the exporter and the other intermediaries in the trade channel are difficult to determine, because they are influenced by many factors, such as:

- The size of the order (the larger the order, the smaller the margin);
- The number of intermediaries in the trade channel;
- The quality and exclusivity of the product (exclusive products allow for high margins);
- Availability of the product and
- Added value deriving from the processing operations such as cutting, sawing, polishing, carving etc... (a custom-made kitchen countertop will have a higher margin than a standard tile).

As an example, most of the polished granite tiles from India in the size of (40 x free length x 1.5) are sold by the manufacturer in the price range of 25-35 euro/m², FOB. Then the following margins usually apply through the trade channel:

Table 3.2 Example of margins in Germany

Wholesaler/importer	20%-30%
Stone processor	20%-30%
DIY outlet	5%-10%
Tile specialist	20%-25%

Source: Rossittis

It is important to note that the increasing international competition presses the prices down and reduces the exporter's margin. In order to ensure the profitability of their businesses, exporters are pushed to offer more selective products (if possible), or, more frequently, to increase the efficiency of their production unit and/or go for higher volumes. This means that in some countries where companies did not reinvest in becoming bigger, companies slowly found themselves to be in a situation of low price-high volume production, thus eroding competitiveness and threatening survival.

3.3 Useful sources

The names and websites of interesting players as well as sources to find those players are given in the country surveys:

- Marble and More - <http://www.marbleandmore.com> – natural stone portal which joins buyers and sellers online. Contains specialised directories and sector news.
- Find Stone - <http://www.findstone.com> → make a selection per material → choose country → an online overview of some natural stone companies will show up together with their price lists
- Marble in The World - <http://www.marbleintheworld.com> → go to 'Stone companies' and fill in your search criteria
- World Stonex - <http://www.worldstonex.com/en/home.asp> - marketplace for the global natural stone trade. It provides company information and products by different categories
- Stone contact - <http://www.stonecontact.com> → go to 'Companies' → write down 'Stone' and press 'Search' → go to the box that says 'All countries' and click on it to select Germany for an overview of a several natural stone companies
- Euro pages - <http://energy-raw-materials.europages.net/en> → go to 'Energy & Raw Materials' and select 'Marble and natural stones'. Search can also be done through company name, product or business sector.

4 Trade: imports and exports

Note: Because of unavailable data, this chapter does not take account the possible impacts of re-export on the imports and exports flows to and within the EU.

4.1 Total EU imports

In 2008, the EU imported € 3.7 billion of natural stone and stone products, which represents 15 million tonnes. The European top 5 importers in value are Germany and Italy (14% of total EU imports each), the UK (13%), France (13%) and Belgium (8.5%). Those countries represent 63% of the total value of imports to the EU. Over 2004-2008, the top 5 importers within EU have increased imports annually by about 3.2%. Germany shows an inferior performance compared with the other top importers (+0.0% average growth).

Table 4.1 EU imports of natural stone and stone products 2004-2008, € million / 1'000 tonnes

	2004		2006		2008		Average annual % change
	value	volume	value	volume	value	volume	
Total EU, of which from	3'112	15'982	3'759	16'198	3'745	15'045	4.7
Intra EU	1'581	7'325	1'697	7'040	1'594	5'675	0.2
Extra EU excl. DC*	158	2'190	149	838	150	1'495	-1.3
DC*	1'374	6'466	1'914	8'319	2'002	7'875	10

* Developing countries

Source: Eurostat (2009)

Over the years 2004-2008, the EU imports increased annually on average by 4.7%. This result needs to be analysed at two levels. First, it should be analyzed at the level of the 15 oldest EU Member States (EU15): imports of these countries increased 3.5% annually on average over this 4-year period. Looking closer it becomes clear that between 2006 and 2008 imports dropped by 2.1% per year. Second, it should be analyzed at the level of the 12 new Member States: this group of countries increased their imports at a rate of 18% per year between 2004-2008. This percentage increased up to 20% between 2006-2008. This fact illustrates the dynamism of the natural stone and stone products market in those countries where the construction sector has been strongly pulling the demand, specially since they became members of the EU.

Most new EU Member States are definitely attractive for natural stone exporters as a huge expansion in the construction market is taking place. For instance, 65% of Romanian imports of natural stone in 2008 came from DC. Additionally, its annual growth rate was 61% during the period 2004-2008.

EU imports per product group

Table 4.2 Imports by and leading suppliers to the EU 2004 - 2008, share in % of value

	2004	2006	2008	Leading suppliers to EU in 2008 Share in %	Share (%)
	€ mln	€ mln	€ mln		
Total natural stone and stone products	1'581	1'697	1'594	Intra EU: Spain (13%); Italy (12%); Germany (3.4%); Portugal (3.2%); Belgium (2.8%)	43%
	158	149	150	Extra EU excl. DC*: Norway (1.5%); USA (0.7%); Israel (0.5%); Canada (0.5%); Switzerland (0.4%)	4.0%

	2004 € mln	2006 € mln	2008 € mln	Leading suppliers to EU in 2008 Share in %	Share (%)
	1'374	1'914	2'002	DC*: China (21%); India (11%); Turkey (6.0%); Brazil (4.6%); South Africa (2.6%); Egypt (1.1%); Vietnam (1.1%); Iran (0.6%); Mozambique (0.6%); Angola (0.5%)	54%
Funeral & other art	549	596	519	Intra EU: Italy (19%); Spain (6.5%); Germany (2.7%); Portugal (2.4%); Belgium (2.1%)	39%
	17	27	37	Extra EU excl.DC*: USA (1.2%); Israel (0.6%); Switzerland (0.4%); Norway (0.2%); Taiwan (0.1%)	2.8%
	391	594	788	DC*: China (32%); India (14%); Turkey (5.6%); Brazil (1.7%); Vietnam (1.3%); Indonesia (0.8%); Egypt (0.5%); Croatia (0.3%); Syria (0.3%); South Africa (0.3%)	59%
Blocks & slabs	374	375	360	Intra EU: Italy (8.8%); Spain (5.8%); Portugal (3.9%); Belgium (3.7%); Germany (2.9%)	34%
	109	81	75	Extra EU excl.DC*: Norway (4.6%); Switzerland (0.7%); USA (0.7%); Israel (0.4%); Canada (0.2%)	7.0%
	623	778	628	DC*: India (12%); Brazil (8.7%); South Africa (8.7%); Turkey (6.2%); China (5.6%); Egypt (2.6%); Mozambique (2.0%); Angola (1.8%); Zimbabwe (1.8%); Iran (1.4%)	59%
Flooring & cladding	534	591	580	Intra EU: Spain (35%); Italy (10%); Germany (4.0%); Belgium (1.9%); Portugal (1.8%)	63%
	29	34	35	Extra EU excl.DC*: Canada (1.7%); Norway (0.6%); Israel (0.6%); USA (0.4%); Switzerland (0.3%)	3.8%
	184	293	309	DC*: China (13%); Turkey (6.8%); Brazil (5.3%); India (4.3%); Vietnam (1.2%); Egypt (0.8%); Indonesia (0.4%); Iran (0.3%); Syria (0.3%); Tunisia (0.2%)	33%
Landscape design	124	134	134	Intra EU: Portugal (7.6%); Germany (6.0%); Belgium (4.8%); Italy (4.0%); The Netherlands (3.2%)	33%
	1.6	7.2	1.9	Extra EU excl. DC*: Norway (0.5%); Israel (0.1%); Switzerland (0.1%); Hong Kong (0.1%); USA (0.02%)	0.5%
	175	249	277	DC*: China (41%); India (16%); Turkey (4.9%); Vietnam (2.2%); Brazil (1.5%); Argentina (0.7%); Croatia (0.5%); Ukraine (0.2%); Egypt (0.2%); Indonesia (0.1%)	67%

*Developing countries
Source: Eurostat (2009)

Although the share of blocks & slabs is declining (-1.0% per year), it still accounts for 28% of total EU imports. DC imports of intermediates grew by 0.2% per year while imports for intra- and extra-EU dropped by 0.9% and 9.1% respectively. The most demanded product in this product category are siliceous blocks & slabs (19% of total EU imports) and calcareous blocks & slabs (7.8%).

The market for finished stone products has grown 7.5% per year between 2004-2008; funeral & other art (+8.9% per year), landscape design (+8.3%) and flooring & cladding (+5.4%) and Intra-EU imports overall increased only by 0.5% per year. In contrast, imports from DC and extra-EU countries increased by 16% and 12% per year respectively 2004-2008. The most important finished products imported in 2008 were siliceous funeral and other art stone (22% of total EU imports), slate building stone (12%), setts, curbstones and flagstones (11%) and calcareous funeral and other art stone (9.5%).

Since 2000, China has registered a significant growth of its imports to the EU and has thereby outpaced India. The success of China in trading is symptomatic of the growing importance of the price competitiveness: to this end, DC have an undeniable cost advantage over their direct competitors approaching the EU markets. One of the reasons for this important increase of China as a key exporter to the EU is the development of a competitive processing industry, using raw natural stone that is either locally extracted or imported from other DC, and then exported as finished stone products to the EU. China is characterised by the fact that finished products represent the large majority of its exported value to Europe (92%) whereas this share is smaller for other large exporters: Turkey (71%), India (59%), Brazil (56%) and Egypt (35%).

Import from DC

In 2008, the EU imported more than € 2.0 billion from DC with a volume of 7.9 million tonnes. In 2008, the major importers of natural stone and stone products from DC in the EU are Italy (21%), Germany (13%), the UK (12%), Belgium (11%) and Spain (9.7%). The top five importers from DC account for 67% of total imports.

Table 4.3 Imports of natural stone from developing countries 2004-2008, € million / 1'000 tonnes

	2004		2006		2008		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU	1'374	6'466	1'914	8'319	2'002	7'875	10
Italy	375	1'991	464	2'174	413	1'884	2.4
Germany	173	753	221	1'021	256	1'102	10
United Kingdom	186	633	276	883	246	648	7.2
Belgium	134	662	174	811	213	848	12
Spain	155	705	232	910	195	758	5.9
The Netherlands	92	547	135	720	152	605	13
France	60	224	100	396	104	341	15
Poland	31	162	59	261	102	362	34
Greece	46	326	54	416	65	466	8.8
Ireland	27	72	53	146	50	147	17
Austria	19	61	25	87	33	117	16
Denmark	24	92	35	129	31	103	6.5
Romania	4.3	16	13	49	29	91	61
Sweden	6.5	43	12	67	15	70	23
Bulgaria	2.9	11	6.7	27	14	48	47
Cyprus	5.3	22	7.5	33	13	52	25
Portugal	8.1	31	8.0	26	12	36	10
Czech Republic	3.1	8.7	6.2	18	10	25	33
Finland	4.4	25	5.6	28	8.9	46	19
Lithuania	2.2	10	4.3	18	8.8	25	42
Slovenia	2.2	10	4.7	18	8.2	25	38
Hungary	5.5	40	8.6	43	7.5	33	8.1
Slovakia	1.9	5.8	3.3	12	7.1	18	39

	2004		2006		2008		Average annual % change in value
	value	volume	value	volume	value	volume	
Estonia	0.7	2.8	2.3	7.1	3.5	9.0	51
Latvia	0.8	3.1	1.8	7.7	2.1	6.6	28
Malta	0.9	2.3	1.6	10	1.6	5.3	16
Luxembourg	1.6	6.7	0.6	2.0	1.0	3.1	-11

Source: Eurostat (2009)

Imports from DC (+9.9% per year) developed faster than imports in general (+4.7%). As a result the market share of DC has gone from 44% in 2004 to 53% in 2008, mostly at the expense of intra-EU countries. There are however large regional differences; in EU15 countries imports from DC increased by 8.2% per year (overall 3.5%) between 2004 and 2008. In Western European countries growth has been quite pronounced. In South European countries growth was somewhat slower. In EU12 countries imports from DC expanded by 35% per year (overall growth was 18%).

Imports from DC are under pressure following the economic crisis in the EU. In 2008, imports overall dropped by 7.2% while imports from DC dropped by 6.8%. Exporters from DC are therefore hit hard by the drop of demand in the EU market. Imports from DC are expected to keep going down until the construction market and economy will recover. This is not expected until 2011 (see Chapter 1).

4.3 Exports

In 2008, EU exports amounted 11 million tonnes of natural stone and stone products which worth nearly € 3.9 billion. Exports from the EU have been increasing at an average annual rate of 1.5% between 2004 and 2008. Exports have however been dropping since 2006 by 1.0% per year. This is due to the increased competition on an international level.

Half of the exported value remained within the EU; 21% was exported to DC and 30% to other extra-EU countries. Not only are imports from DC increasing but also exports to DC showed the highest annual growth during the period 2004-2008 (11%).

In 2008, the largest EU exporters were Italy (45%), Spain (22%), Portugal (7.0%), Belgium (5.2%) and Germany (4.2%). The contribution of new EU Member States is still relatively small; Poland and the Czech Republic are their largest exporters accounting for 0.9% and 0.6% respectively.

Table 4.4 EU exports of natural stone and stone products per product group 2004-2008, € million / 1'000 tonnes

	2004		2006		2008		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU, of which to							
Intra EU	3'669	11'071	4'054	11'350	3'896	11'023	1.5
Extra EU excl. DC*	1'893	6'481	2'058	6'488	1'928	5'869	0.5
DC*	1'249	1'874	1'330	1'976	1'157	1'737	-1.9
	528	2'716	665	2'886	810	3'416	11

* Developing countries

Source: Eurostat (2009)

Over 2004-2008, the most exported products from the EU were funerary & other art (48%), flooring & cladding (25%), blocks & slabs (22%) and landscape design (6.1%). In Germany natural stone exports increased +11% per year; that is a much higher rate than consumption

and production annual growth (-4% and -8% respectively). Increased re-exporting might be one of the reasons for this development. Moreover, most EU producers are more and more forced to look for market opportunities on the international market which leads to increased exports. Future growth will be depending on the development of foreign markets. Since 60% of German exports go to other EU countries and another 34% to other developed countries expectations are that exports will go down due to the negative economic situation worldwide.

4.4 Opportunities and threats

- + The EU has the largest single natural stone and stone products market in the world and has a world-renowned processing industry. Together this creates a huge export potential.
- + Because of competitive prices and improved quality, the share of DC in EU imports is increasing at the expense of traditional suppliers and producers. This increase is significant in some of the large importing countries.
- + Despite a recent stagnation, the processing industry in the EU still is very important. Therefore, the demand for high quality intermediate stone products remains high.
- ± Although the market share of DC is expected to increase in coming years it is expected that natural stone imports will go down in coming years as a result of economic crisis.
- The pressure on prices and margins will continue and therefore poses a threat to DC exporters not able to improve their production processes and technologies.
- Because of the increasing globalisation of the natural stone industry, the most powerful players of the industry are diversifying their roles, moving down the production chain. This can limit the role of producers from DC to extraction activities.

4.5 Useful sources

- EU Expanding Exports Helpdesk - <http://exporthelp.europa.eu> → go to 'trade statistics'
- Eurostat – official statistical office of the EU - <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home> → go to 'Statistics Database' on the left side of the home page → go to 'Statistics A-Z' and select External trade → go to 'Database' on the left column → go to 'External trade - detailed data'
- Understanding Eurostat - Quick guide to easy Comext - http://www.eds-destatis.de/en/database/download/Handbook_Comext_Database.pdf

5. Price developments

5.1 Price developments

During the period 2004-2008 prices of imported natural stone and stone products by the EU increased by 6.3% per year. Prices of imported natural stone from DC increased by 4.6%. Countries where prices rose above average include The Netherlands (+11% per year), Sweden (+8.8%), the UK (+6.6%), Portugal (+6.0%) and most of the EU12 countries (+9.0% on average). Price in several countries however dropped including Ireland (-2.3% per year), Austria (-1.5%) and Greece (-0.5%).

The market for intermediate as well as finished stone products in the EU is under pressure from increased competition at a global level. DC suppliers have a serious cost advantage over their European counterparts and are sometimes able to deliver three times as cheap. This is the result of technical innovations in the quarrying and processing, better access to this technology, the low cost of labour and increased competition between DC. Because DC also have the first pick of raw material they are now also able to compete in all quality ranges. Following this development, some DC have even seen the creation of entire new stone fabricating/processing sectors; the countertop/worktop market is a good example of this.

Euroroc claims that imported gravestones are being offered at less than their production costs, plus shipment and sales costs. The Chinese stone industry is accused of receiving huge governmental grants and export subsidies to expand its stone export businesses. The issue is currently being looked into by the European Commission in Brussels.

Another important price development is the rising transportation costs of some DC, most notably China. The Chinese export economy is growing fast and this effect has an impact on container transport. The cost of shipment has recently risen because of a shortage of space on the container ships. The question is whether this will bring Chinese-produced natural stone prices more into line with their major competitors such as Brazil, India, Italy, Spain and Turkey.

The current economic slowdown, especially in the EU and US, is also affecting the natural stone market. It has led to a large surplus of natural stone that now is being dumped on the EU market. This is true for low as well as high quality stone. The EU consumer benefits from this development.

Because there are large price fluctuations it is advisable to approach EU importers/wholesalers directly. The CBI market surveys covering the natural stone and stone products market in individual countries can be consulted for more detailed information.

5.2 Useful sources

Directly approaching EU importer and wholesalers and visiting trade fairs are the best ways for getting price information on natural stone products. The following site provides an overview of price developments:

- Bare Foot Floor - <http://www.barefootfloor.com> → select the product → you will have access to price lists from foreign suppliers
- Findstone.com - <http://www.findstone.com/pricelists.htm> → make a selection per material → choose the country in order to get natural stone companies displaying their price lists online
- Stone source - <http://www.stonesource.com> → go to 'Search stone' on the top side → make a selection per material, price range or other criteria
- Stone contact - <http://www.stonecontact.com> → go to 'Pricelist' → write down 'Stone' and press 'Search' → go to the box that says 'All countries' and select your country of preference to get an overview of natural stone companies that display their prices online

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 different 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 your market sector and the EU in the category search, click on the search button and click on market access requirements.

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

Information on tariffs and quota can be found at <http://exporthelp.europa.eu>

For more information on packaging, marking and labelling please refer to the CBI's 'From survey to success. Guidelines for exporting natural stone and stone products to the EU'

7 Opportunity or threat?

In the last years, global growth of the natural stone and stone products market, both in terms of production and demand, has played in favour of DC. Some of them have indeed gained significant market shares thanks to their increased price competitiveness and the improvement of their products.

The current developments in the global and more specifically in the European natural stone industry are expected to continue and encourage exporters from DC to increase their presence in the EU markets. Due to stagnating of EU production caused by the maturity stage of most of the traditionally important EU countries, DC exporters can continue to benefit as their product supply is increasing and becoming more diversified.

DC have actually already gained significant ground in the EU in not only intermediate, but more importantly, in finished stone products. Such success stories have been recorded in recent years and confirm the increasing penetrability of the EU market for DC exporters which are now able to offer a wider range of products. The EU market, however, still holds good opportunities: it is not only the largest single market in the world, it is also the largest importer of natural stone and stone products. However, consumption of natural stone and stone products is suffering from the current economic slow down. Consumption is likely to go down from 2010-2011 in most EU countries as construction is also expected to show positive growth rates by then.

Still, globalisation is transforming the stone industry at a fast pace. As a result, advanced technology is broadly available to most of the players, producers worldwide are in direct competition, and prices and margins are decreasing. Also, the traditional roles within the trade channels are changing towards more complexity: the big players, processors or wholesalers, are moving up the supply chain and increasing their control on the production level.

In this context, the DC that have increased their presence in the EU demonstrated:

- competitive prices
- a bigger investment capacity in production and processing technology
- an increased product quality, especially in the range of finished products
- the potential to meet fast-moving requirements in terms of product nature, colour, dimensions and finish (exclusive types of stone or rare colours prove to be one of the main competitive tools for the developing country exporter)
- a real pro-activity in finding and maintaining business relationships with EU partners and in committing serious investment in commercial efforts
- a constant professionalism demonstrating the ability to fulfil quality, packaging, and delivery criteria

Given the current trends in the natural stone and stone products market, such prerequisites are increasingly important for exporters who want to access the EU market. Therefore, if the usual terms of the international competition (price, timing and supplying methods) still operate, newcomers should also be ready to fit in with a high risk scene, which demands a scale size, an operating efficiency and the ability to float in conditions that are much more unstable and unsettled than in the past.

This overview of the ideal conditions that exporters from DC should gather should be put into perspective by looking at specific situations: the same development or trend can be an opportunity for one exporter and a threat for another. Exporters should, therefore, analyse whether the developments and trends discussed provide opportunities or threats and then make the decision on whether to export to the EU.

Appendix A Product characteristics

Product Groups

The natural stone products discussed in this survey consist of the following four groups:

- **Blocks & slabs:** whether or not roughly trimmed or merely cut, by sawing or otherwise;
- Natural stone products used for urban or rural **landscape design** (such as setts, curbstones and flagstones);
- Natural stone products with a flat or even surface used for **flooring & cladding** (such as square tiles);
- Natural stone products used for **funeral & other art** (such as tombstones and garden decorations).

This survey covers all types of natural stones excluding:

- by-products of the natural stones quarrying industry (crushed stones for example);
- mineral stones;
- derived substances (macadam for example);
- millstones.

The nature of the stones is defined as followed:

- Calcareous: for example marble, travertine, ecaussine and alabaster;
- Siliceous: for example granite and sandstones;
- Slate;
- Other.

Statistical Product Classification

Prodcop and Combined nomenclature (CN)

In this survey two different sets of statistical data are used. Both sets have been provided by Eurostat, the statistical body of the EU. The first set is derived from Prodcop. The term Prodcop is derived from PROducts of the European COMmunity. This is a survey based on products of which the definitions are standardised across the EU to allow comparability between the member countries' data. Prodcop covers 5,000 products which are assigned to some 250 industries (subclasses) as defined by the Standard Industrial Classification (SIC). Prodcop data contain production, imports and exports. In this survey, Prodcop data are used to indicate production.

The second set is the trade data based on the Combined Nomenclature (CN). 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) code. The 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. In this survey, CN data are used to indicate imports and exports.

Based on above data, apparent consumption can be calculated as follows: apparent consumption = production + imports - exports.

Statistical data: limitations

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

The Prodcom data used in Chapter 1 and 2 are less reliable than the import and export statistics used in Chapter 4, as they are not part of the official data collection for Customs. Companies only have to send in their data on an annual or quarterly basis. The figures sometimes show a discrepancy between years, e.g., a large fall or extraordinary growth. These problems can be caused by inaccurate, inconsistent and untimely reporting by companies. However, Prodcom data are the only official source for production and apparent consumption data, displaying numbers at product group level and describing the different EU markets in detail. Therefore, they are useful to get an indication of size and trends within those markets. For decision making, however, these figures are not accurate enough and should be used in conjunction to further market research.

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 this quantitative data: it puts limitations to in-depth interpretation of relations between consumption, production and trade figures within one country and between different countries.

Notes concerning the data processing

- The figures cover the years 2004-2008.
- The Prodcom and HS database were combined to calculate consumption data because of missing data for blocks & slabs:
 - For quantities: the Prodcom database provides production data for blocks & slabs, however, there are no import and export data available in the Prodcom database. Therefore, consumption of all product groups is calculated using the Prodcom production numbers and the import and export data from the CN database.
 - For value: the Prodcom database does not provide the production data for the value of blocks & slabs. Therefore, value data for blocks & slabs in the production section is not provided in this survey. The calculation of the value of the consumption demand of blocks & slabs is therefore not possible except for the countries that do not produce blocks & slabs.

CN/ProdCom codes

In the CN code, the product grouping used in the import/export section for intermediate stone products contains only one product group (blocks & slabs). Finished stone products is composed of 3 products groups:

- Landscape design;
- Flooring & cladding;
- Funeral and other art.

This segmentation characterises most of the products by the nature of the stones they are composed of (calcareous, siliceous, slate and other). This is not the case for the landscape design stones. The same applies to tiles within the flooring & cladding product group. The segmentation used for this survey, therefore, focuses on the final use of the natural stones, as specified by the product group's name, and will whenever appropriate and possible give further information on the specific nature of stone.

The main difference between the previous product grouping and the one below is that there are only two product groups in the finished stone products category: landscape design and monumental & funeral (an aggregate of flooring & cladding and funeral & other art). As a consequence, an exporter of flooring & cladding products and/or funeral & other art will have to further investigate the consumption patterns of potential importing countries in order to confirm the opportunities spotted through the analysis of import trends.

The table below describes the segmentation used in the production/consumption section with the corresponding Prodcom/HS codes.

Product category	Product group	Product	Product definition	CN codes	Prodcom codes	
Intermediate stone products	Blocks & slabs	Slate and other stones	Slate, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	251400	14.13.10.00	
		Calcareous	Marble and travertine, crude or roughly trimmed	25151100	14.11.11.33	
			Marble and travertine, crude or roughly trimmed, Merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	251512	14.11.11.35 14.11.11.37	
			Ecaussine and other calcareous monumental or building stone; alabaster whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular shape	25152000	14.11.11.50	
		Siliceous	Granite, crude or roughly trimmed	25161100	14.11.12.33	
			Granite, crude or roughly trimmed, merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape (excl. with the characteristics of setts, curbstones and flagstones)	251612	14.11.12.35 14.11.12.37	
			Sandstone, crude or roughly trimmed (excl. with the characteristics of setts, curbstones and flagstones)	25162100	14.11.12.53	
			Sandstone, merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape (excl. with the characteristics of setts, curbstones and flagstones)	25162200	14.11.12.56	
				Other siliceous monumental or building stone, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	251690	14.11.12.90

Product category	Product group	Product	Product definition	CN codes	Prodcom codes	
Finished stone products	Landscape design	Setts, curbstones and flagstones, of natural stone (excl. Slate)	Setts, curbstones and flagstones of natural stone (excl. Slate)	68010000	26.70.12.10	
	Monument & funeral	Tiles	Tiles, cubes and similar articles, whether or not rectangular (including square), the largest surface area of which is capable of being enclosed in a square the side of which is less than 7 cm; artificially coloured granules, chippings and powder	680210	26.70.12.30	
		Calcareous	Marble, travertine and alabaster articles thereof, simply cut or sawn, with a flat or even surface	Marble, travertine and alabaster articles thereof, simply cut or sawn, with a flat or even surface	68022100	26.70.11.00
			Marble, travertine and alabaster in any form, polished decorated carved or otherwise processed (excl. tiles, cubes and similar articles of subheading 680210, imitation jewellery, clocks, lamps and lighting fittings and part thereof, buttons, originals sculptures and statuary, setts, curbstones)	Marble, travertine and alabaster in any form, polished decorated carved or otherwise processed (excl. tiles, cubes and similar articles of subheading 680210, imitation jewellery, clocks, lamps and lighting fittings and part thereof, buttons, originals sculptures and statuary, setts, curbstones)	680291	
Other calcareous stone and articles thereof, simply cut or sawn, with a flat or even surface	Other calcareous stone and articles thereof, simply cut or sawn, with a flat or even surface	68022200	26.70.12.40			

The table below gives a further specification of the product group monumental & funeral products that is divided in the import/export section into the products groups: Flooring & cladding and funeral & other art.

Product category	Product group	Product	Product definition	CN codes
Monumental & funeral	Flooring & cladding	Tiles	Tiles, cubes and similar articles, whether or not rectangular (including square), the largest surface area of which is capable of being enclosed in a square the side of which is less than 7 cm; artificially coloured granules, chippings and powder	680210
		Other monumental or building stones- Calcareous	Marble, travertine and alabaster articles thereof, simply cut or sawn, with a flat or even surface	68022100

Product category	Product group	Product	Product definition	CN codes
			Other calcareous stone and articles thereof, simply cut or sawn, with a flat or even surface	68022200
		Other monumental or building stones-Siliceous	Granite and articles thereof, simply cut or sawn, with a flat or even surface	68022300
		Other monumental or building stones-Slate	Worked slate and articles of slate or of agglomerated slate (Excl. Slates granules, chippings and powder, mosaic cubes and the like, and ready-to-use slates to boards with writing or drawing surfaces)	680300
		Other monumental or building stones-other	Monumental or building stone and articles thereof, simply cut or sawn, with a flat or even surface (excluding calcareous stones, granite and slate, with a completely or partly planed, sand-dresses, coarsely or finally ground or polished surface, tile, cub)	68022900
	Funeral & other art	Calcareous	Marble, travertine and alabaster in any form, polished decorated carved or otherwise processed (excl. tiles, cubes and similar articles of subheading 680210, imitation jewellery, clocks, lamps and lighting fittings and part thereof, buttons, originals sculptures and statuary, setts, curbstones)	680291
			Other calcareous stone, in any form polished decorated carved or otherwise processed (excl marble, travertine and alabaster, tiles, cubes and similar articles of subheading 680210, imitation jewellery, clocks, lamps and lighting fittings and part thereof, buttons, originals sculptures and statuary, setts, curbstones)	680292
		Siliceous	Granite in any form, polished carved or otherwise processed (excl. tiles, cubes and similar articles of subheading 680210, imitation jewellery, clocks, lamps and lighting fittings and part thereof, buttons, originals sculptures and statuary, setts, curbstones)	680293
		Other stones	Monumental or building stone, in any form, polished carved or otherwise processed (excl. calcareous stone, granite and slate, tiles, cubes and similar articles of subheading 680210)	680299

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. With 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 eleven 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. Cyprus and Malta share the same currency since 2008. The last country changing its currency to the Euro has been Slovakia on 1 January 2009. Since 2002 Euro coins and banknotes replaced national currency in these countries. Denmark, UK 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	April 2010
Bulgaria	Lev	BGN	0.51446
Czech Republic	Crown	CZK	0.03870
Denmark	Crown	DKK	0.13432
Estonia	Crown	EEK	0.06391
Hungary	Forint	HUF	0.00368
Latvia	Lats	LVL	1.45698
Lithuania	Litas	LTL	0.29334
Poland	Zloty	PLN	0.22997
Romania	New Lei	ROL	0.23900
Sweden	Crown	SEK	0.09216
The UK	Pound	GBP	1.16902

Source: Oanda <http://www.oanda.com> (April 2010)

Appendix C List of developing countries

OECD DAC list - January 2008

When referred to developing countries in the CBI market surveys, reference is made to the group of countries on this OECD DAC list of January 2008.

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

CBI countries – January 2008:

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

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

Appendix D References

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