

Exporting essential oils for food to Europe

The European demand for essential oils is strong. Increasing competition for these natural ingredients from emerging markets and pressure on raw material production spur European importers to search for new sources. For you as an exporter, the production of essential oils can be much more profitable than the production of the raw materials only. European buyers are looking for this added value, because they can use the essential oils to manufacture a wide range of foods and drinks.

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1. Product description

Essential oils are obtained from vegetable raw materials (mostly plant parts) by distillation with water or steam. They can also be produced from citrus peels by pressing the peels.

Essential oils can be produced from various plant sources and from different plant parts, including:

- flowers
- seeds
- roots
- leaves
- herbs
- peels
- bark
- nuts
- woods

In many cases, essential oils producers use waste materials or grades of products which related industries do not value as much. Citrus peels, for example, are waste material from the juice industry and many herb oils are made from excess materials which cannot be sold on the fresh market.

Essential oils are complex mixtures which do not easily dissolve in water. They can contain over 100 substances. Unlike oleoresins, they are also volatile products, which means that they lose flavour in the open air.

There is a large variety in the types of essential oils that are used in food. In total, over 100 essential oils are being offered on the European market; for example:

- geranium oil (flowers)
- cumin oil (seeds)
- angelica oil (roots)
- cardamom oil (seeds)
- parsley oil (seeds or herbs)
- peppermint oil (leaves)
- orange oil (peels)

- cinnamon oil (bark and leaves)
- nutmeg oil (nuts)
- sandalwood oil (woods)

Essential oils can also be used in cosmetics, traditional medicine and aromatherapy. Our focus in this fact sheet is on essential oils as flavourings for foods and drinks. You can read our studies of [essential oils for fragrances](#) and [essential oils for aromatherapy](#) if you are interested in other markets.

Within Europe, essential oils are classified according to the Harmonised System (HS). This coding system is used in international trade. The following HS codes relate to essential oils:

- 3301.12 – Sweet and bitter orange oil
- 3301.13 – Lemon oil
- 3301.19 – Other citrus fruit oils
- 3301.24 – Peppermint oil
- 3301.25 – Other mint oils
- 3301.29 – Other essential oils

Tips:

Identify the botanical source of the raw material for your essential oil. You must have a thorough understanding of the factors determining your product's specifications. This understanding is crucial for controlling these factors to meet the required specifications of buyers.

For more information on classifying essential oils by HS, CAS and other classification systems, you can read our [workbook for the preparation of Technical Data Sheets for natural ingredients](#).

2. What makes Europe an interesting market for essential oils?

Growing demand for essential oils

In the next five years, the value of the essential oils market is expected to continue to grow. Grand View Research has forecast that the global market for essential oils will grow from US\$ 5.51 billion in 2014 to US\$ 11.67 billion in 2022.

The European market for essential oils makes an important contribution to the growth of the global market. This fact is shown by the development in turnover of leading manufacturers of flavourings. Most of these manufactures are based in Europe, producing flavourings for many food and beverage manufacturers inside and outside Europe. Some examples are:

- [Givaudan](#) (Switzerland)
- [Symrise](#) (Germany)
- [MANE](#) (France)

Imports follow growth in demand

European imports of essential oils are increasing (see Figure 2). However, annual growth in terms of volume is only 0.8%. In the period 2012–2016, the euro weakened and essential oil imports became more expensive for European buyers, as essential oils are traded in US dollars on the global market. This development restricted their buying power and limited the growth in imports. In 2017, the exchange rate between the euro and the US dollar became more favourable again for European importers, which had a positive effect on imports.

Germany, the United Kingdom, France and Spain have large food industries and are the most important end markets for essential oils in Europe. The Netherlands is a major re-exporter. It re-exports most essential oils to Germany and – to a lesser extent – to other north-western European countries.

Tip:

You will find most sales opportunities in countries with large flavour industries such as Germany, France, the United Kingdom, Spain and Switzerland. Nonetheless, re-exporters such as the Netherlands and Belgium also offer plenty of opportunities.

Rapid increase in value of essential oils imports

In terms of value, imports increased by 9.0% annually between 2012 and 2016. Two factors contribute to the increase in value of essential oils imports: increasing prices and growing demand. The growing demand for essential oils is primarily driven by a general increase in the demand for natural products, including natural flavourings for processed food. Salt reduction and ethnic foods are drivers of secondary importance. These drivers are discussed in the next sections.

Increasing prices of essential oils

In the long term, the demand for many essential oils is increasing while supply is lagging. On emerging markets in Asia and Latin America, the demand is increasing the quickest. In the meantime, the strong growth of the aromatherapy segment on the mature US market adds to the rise in demand.

The lag in supplies of essential oils is the result of a global need for land, water and other natural resources to produce more food for the growing world population. The growing pressure on land means that farmers will get increasing income from food production and that essential oil production becomes less attractive unless prices of essential oils go up.

The pressure on land is particularly strong in Asia. To illustrate this fact, the Asian market for spices and spice oils is growing and its size is far larger than that of the European market. This situation implies a large increase in competition from Asian buyers for European buyers of spices and spice oils.

In the case of wild-collected raw materials, rising wages for collectors in several countries further add to price increases.

Formulating with natural ingredients

The growing demand is another contributor to the increase in value of essential oils imports. This growing demand is primarily driven by the consumer demand for simpler ingredients list on product labels, which are easier to understand and contain fewer synthetic ingredients.

European flavouring manufacturers are increasingly looking for ways to produce flavourings from natural ingredients instead of synthetic ingredients in order to address consumer concerns about product labels. Essential oils are some of the most important natural ingredients for manufacturers. The wide variety of essential oils gives them numerous possibilities to formulate new or improved natural flavourings.

The challenge for flavouring manufacturers is to produce consistent natural flavourings. Compared to synthetic ingredients, essential oils vary more often in their composition. This aspect may affect their processing characteristics and function in the end product. As a result, flavouring manufacturers have very strict

specifications for essential oils. You must comply with these strict specifications in order to gain access to the European flavourings market.

The clean labelling trend is another major driver of the demand for natural flavourings. Clean labels do not contain the names of ingredients which sound unhealthy to the majority of consumers, such as chemical formulas of synthetic ingredients. This trend is consumer driven and stimulates manufacturers to use essential oils instead of synthetic ingredients.

Consumer perceptions of healthy natural ingredients particularly benefit suppliers of Organic certified essential oils. Organic certification strengthens the perception of natural and healthy characteristics.

Tips:

Show food manufacturers how to apply your essential oil. Provide information on its performance under different conditions (e.g. temperatures, acidity).

Supply highly consistent quality. Refer to the section on Product specifications for tips on how to do so. If you buy raw materials from other suppliers, offer an extension of services to your regular suppliers in order to improve quality consistency and secure their commitment to your company.

Apply for Organic certification to strengthen the image of your product as being natural and healthy.

Salt reduction proves to be a challenge

Many Europeans consume more salt than is healthy for them. Media attention to this health concern is raising consumer awareness of their own salt consumption. Consequently, the demand for products containing less salt is strong.

In response, many food manufacturers aim to reduce salt in their products. As they do not want to compromise on taste, they use other ingredients to mask the salt reduction. Several essential oils, such as cardamom oil, can offer this function.

Tips:

Read more about [salt reduction initiatives in Europe](#) as well as [current developments in research and product development regarding salt](#).

Raise awareness about the potential of essential oils for salt reduction and enable easy substitution.

Ethnic foods are gaining popularity

Ethnic foods are gaining [popularity worldwide](#), including in Europe. [Indian, Thai and Mexican food](#) are some of the most popular international flavours.

Spice and herb essential oils are interesting ingredients for food manufacturers to create such ethnic foods. For example, food manufacturers can use coriander leaf oil to mimic the use of fresh coriander leaves.

Tip:

Search for manufacturers of ethnic foods or importers of ingredients for ethnic foods. Show them how to apply your essential oil in order to create ethnic food flavours.

Market developments for specific essential oils

The short-term opportunities on the European market for specific essential oils depend largely on the size of the last crop being used as raw material for the respective essential oil. For example, crop failures in major countries of origin can suddenly change the global market situation.

Citrus oils

- According to a major European essential oils trader, orange oil is expected to be one of the essential oils with the highest growth potential on the global market. The trader forecasts a growth of 9.7% annually between 2017 and 2022.
- In the last few years, citrus crops in major production countries were small. As a result, the global availability of citrus oils decreased. The citrus greening disease, a tree disease that has spread to several major production regions including Latin America and Florida, is one of the factors that caused the smaller harvests. The damage to citrus plantations in Florida by hurricane Irma was another factor.
- Over the next few years, citrus crops – including those of the other major producer Brazil – are expected to be smaller than in previous years. This situation causes scarcity on the global market and may keep availability low for a number of years. Inventories of grapefruit oil, orange oil and other citrus products, such as D-limonene and juice concentrate, are small on a global level.

Lavender oil

- The last few years, exporters of lavender oil benefitted from production problems in France.
- After Bulgaria (200 Mt in 2016), France is the major source of lavender oil (80 Mt in 2017). In recent years, France suffered from plant diseases that reduced the blossoming of flowers. This issue caused scarcity on the market.
- The last two crops were much better. In addition, buyers can often switch to other sources such as Bulgaria, Ukraine and Australia, which are not affected by widespread plant diseases.
- Moreover, lavender can grow in many parts of the world where climates are cold or in highland areas.

Rose oil

- Bulgaria, Turkey and Iran are the major producing countries for rose oil.
- Increasing demand and rising labour costs in the countries of origin have caused prices to reach historic heights during the last years.
- There are no signs of a decrease in prices at the moment.

Geranium oil

- In the near future, there may be opportunities for exporters of geranium oil from outside north Africa.
- These opportunities may arise from disruptions in their supplies of geranium oil due to political unrest. For now, Egypt and China continue to dominate this market.
- However, due to the political unrest in Egypt, the availability of geranium oil from this country is not always very stable. In 2017, the availability of cuttings in Egypt became limited and expensive. This situation indicates that the availability of geranium oil from Egypt will be lower than in previous years.
- If Egypt can maintain its production and supplies, opportunities for other countries of origin will remain limited.

Rosemary oil

- After two small harvests in Tunisia and Morocco over 2015 and 2016, production improved in 2017. The harvests take place around March.
- Despite a more stable production in 2017, political unrest in north Africa continues to threaten the production of rosemary oil. As an estimated 70% of global production takes place in Tunisia and Morocco, any developments in this region affect the entire global market.
- If you can offer more stable supplies of essential oils than north African suppliers, buyers are looking forward to hearing from you. They are becoming more interested in alternative, more reliable countries of origin for essential oils currently coming from north Africa.

Ginger oil

- Since ginger has become a particularly popular taste among consumers, manufacturers are developing many new products with ginger and ginger oil. At the same time, Asian demand for fresh ginger is increasing.
- The availability of ginger oil from major countries of origin China and India depends on the fresh market. When the demand for fresh ginger is high, less ginger will be available to essential oils producers.

Garlic oil

- The global garlic market faces large shortages. Production remains behind continuous increases in demand. Various factors including pollution hinder production increases.

Tips:

Consider the cyclical nature of essential oils markets when trying to export essential oils to Europe. After a year with low supply and high demand, you can expect many new entrants. This trend will cause oversupply and lower prices. Check price developments of the past five years in order to identify price cycles and determine the best time to enter the market.

Consider growing or collecting edible plants with multiple uses to secure a stable income. Many plants have parts which are suitable for consumption when they are fresh or dried. Distillation of those same parts or other parts of the same plant yields an essential oil. Such product diversification addresses risks of market fluctuations. If prices on the market for one of the product uses (e.g. fresh) collapse, you can supply your raw materials to a market for other uses (e.g. essential oils) where prices are higher.

3. Which requirements must essential oils comply with to be allowed on the European market?

Buyers in the European Union have strict requirements for essential oils. You will only be able to market your product in Europe successfully when you comply with these requirements. They deal with the following topics:

- food safety – traceability, hygiene and control;
- contamination;
- adulteration;
- classification, labelling and packaging;
- substances allowed in the European Union;
- liability;
- Convention on Biological Diversity/Access and Benefit-Sharing;
- food safety certification;
- kosher and halal certification;

- documentation;
- samples;
- payment and delivery terms;
- sustainability;
- certification of Organic production.

See our study of buyer [requirements for natural food additives](#) (including essential oils) for a detailed analysis of these requirements.

European buyers need more documentation from suppliers

It is important that you have a clear understanding of the requirements listed above and particularly of documentation requirements.

From a legal point of view, essential oils for flavourings are not subject to the same documentation requirements as essential oils for other applications such as fragrances. The European Union legislation on the Registration, Evaluation and Analysis of Chemicals (REACH) requires suppliers of essential oils for these alternative applications to provide a lot more documentation. Essential oils for flavourings are exempt from REACH.

Nonetheless, in practice, European buyers of essential oils for flavourings often have the same documentation requirements as buyers of essential oils for other uses. Since they do not know how their customers will use the essential oil, they need to have all documentation required for different potential applications including flavourings and fragrances.

In addition to REACH, stricter legislation for flavourings ([EC 1334/2008](#)) has made it particularly difficult to gain approval for new flavourings. The European Food Safety Authority must provide a positive conclusion on the safety for use as a flavouring. This approval requires suppliers to go through a costly application procedure. Particularly the introduction of new essential oils to the European market has become more difficult.

Tips:

You can use our [workbook for the preparation of Technical Data Sheets and Safety Data Sheets for natural ingredients](#) in order to respond to requirements for elaborate documentation.

If you can offer products on a larger scale, you are in a better position to cope with the administrative and financial burdens related to documentation requirements than small companies.

Small suppliers of niche oils must at least provide data on the chemical composition of their essential oil, including percentages of each constituent. The composition generally gives a good indication of potential safety risks, as a lot of knowledge is already available on the safety of individual constituents.

Become a member of the [International Organization of the Flavor Industry](#) (IOFI) to receive the latest news on legislative developments and other relevant topics in the flavourings industry automatically.

For more information about buyer requirements, see this study below. You can also review our more general study of [buyers requirements on the European market for natural food additives](#).

Sustainable production becomes a necessity to enter the market

Sustainable production is rapidly becoming a crucial requirement for access to the mainstream market in Europe. Until recently, only frontrunners on niche markets for ethical products (e.g. Fairtrade) had requirements for sustainability.

Now, leading food manufacturers in Europe are also turning to sustainability. Sustainability websites of leading suppliers of flavourings to the European market are:

- [IFF Sustain](#)
- [Firmenich Sustainability](#)
- [MANE Sustainability](#)

Leading flavouring manufacturer IFF for example, writes in its [sustainability report](#) of 2015: “We are assessing our supply chain for vulnerable raw materials and developing and advancing policies to ensure its long-term resiliency.”

Many European buyers such as IFF are demanding more transparency in their supply chains. They often use questionnaires for suppliers or they use platforms such as the [Supplier Ethical Data Exchange](#) (SEDEX). SEDEX is an online platform where you can make information on your production available to buyers. Suppliers must increasingly provide the requested information to prevent losing these buyers.

European buyers are also engaging more with their suppliers to improve long-term relationships. For example, they provide technical assistance to improve the quality of products or the yields of production (see the section on competition below).

Tip:

You as a supplier can benefit the most from the increasing engagement of European buyers if you share information on your needs. You can request advice on farming and distillation techniques, measures to improve the sustainability of your business and many other types of support.

Quality requirements

European buyers determine the quality of essential oils through chemical and physical analysis. While chemical analysis focuses on chemical composition, physical analysis focuses on:

- colour;
- flavour,
- density;
- optical rotation;
- refractive index;
- solubility in water and oil (how easily the essential oil dissolves).

Flavours, colours and solubility

What flavours buyers prefer depends on the application. For example, a certain buyer may prefer a sweet citrus oil. Another buyer may be looking for a more acid citrus oil.

Buyers in Europe generally prefer a colourless or light-coloured essential oil. If the essential oil is colourless or light-coloured, it does not affect the appearance of their food or drink. European buyers often prefer to use other means to change the colour if necessary.

Food and drink manufacturers often prefer essential oils that easily dissolve in water or oil. This aspect enables them to make dilutions (water or oil containing essential oil) and apply exact quantities to their food or drink. Additionally, high solubility may prevent the need for an emulsifier or stabiliser.

Purity

For European buyers, essential oils for food must be 100% pure (i.e. not mixed with any other essential oils that have similar characteristics) and 100% natural (i.e. not adulterated through the addition of any chemicals).

If you dilute an essential oil with solvents, the product must be called a flavour or you must state that the oil is diluted (e.g. 20% propylene glycol). When you have mixed your essential oils, you should call them a blend of essential oils.

To determine the purity of an essential oil, buyers use physical analysis of density, optical rotation and refractive index. They also use chemical analysis (i.e. gas chromatography) to determine the purity.

Standards and consistency

The International Standards Organisation (ISO) provides [standards for several major essential oils](#). These standards specify physical and chemical properties. For example, they specify how much of a certain substance your essential oil must contain. Buyers in Europe may also have their own specifications, which can differ from the ISO standards. This situation depends on their application for the essential oil.

In addition to the quality requirements above, European buyers of essential oils for food also consider quality consistency. They prefer a large volume with a consistent quality level to smaller batches of different qualities.

Tips:

European buyers expect you to have expertise in the product that you supply. For example, you must have detailed knowledge about the origin of the raw materials, production techniques and suitable equipment for processing.

Only use cleaned and pure material (raw material from one type of plant) for distillation. Do not mix with raw materials from other plant species.

Minimise variation in quality within a lot. Follow strict grading and sorting standards for raw materials selection. Variation in the physical properties of the raw materials also means that the essential oil content and chemical profile will vary.

Research effects of different extraction methods (temperature, pressure, time) on the quality of your essential oil. Where available, use international specifications as a baseline reference.

Achieve higher quality consistency over the year by standardising your product's quality. You can standardise your product by establishing Standard Operating Procedures (SOP) for collection/harvesting and processing practices (e.g. timing of harvest). Closely monitor the implementation of these SOPs through regular inspections. Offer special benefits to collectors who apply your SOPs.

You can also standardise your product by blending essential oils from different crops (e.g. early and late crops).

Include information on the chemical composition of your oil in your Technical Data Sheet and specifications, as tested by laboratories.

When you are still developing your product, work together with a local university department to test your essential oil.

When you are introducing a new product, prepare a feasibility study. Determine whether your essential oil has sufficient potential on the market in light of its quality. Your price must reflect the value of your product. Its value largely depends on raw material costs, energy costs and its chemical composition.

Labelling requirements

You are obliged to label your products if you want to export them to Europe. Your product needs to be labelled so European buyers as well as customs authorities, for example, can trace the origins of your product. Another reason is to ensure safety during transport and storage.

In Europe, most essential oils are considered hazardous chemical substances. You must comply with Regulation [EC 1272/2008](#) on Classification, Labelling and Packaging (CLP) of chemicals to ensure that any hazards are clearly communicated.

On your label, you must include the relevant safety phrases, risk phrases and hazard symbols (examples below).



You can find an elaborate [definition of the flammability, risk phrases and safety phrases](#) in Directive 2001/59/EC. The Directive provides technical information for implementing European Union regulation on Classification, Labelling and Packaging.

In addition to complying with the CLP Regulation, you must apply the following common export labelling rules.

As an exporter, you should make individual batches traceable with markings on each container. You should also register these batches in an administrative system, whether they are produced by blending or not.

You should use the English language on your labels, unless your buyer indicates otherwise.

Your labels must include:

- product name;
- batch code;
- whether the product is destined for use in food products;
- place of origin;
- name and address of exporter;
- date of manufacture;
- best-before date;
- net weight;
- recommended storage conditions.

If you offer Organic certified essential oils, you should also add the name/code of the certifier and the certification number.

Packaging requirements

European buyers generally base their packaging requirements on [ISO standard 210:2014](#). This standard provides general rules for the packaging, conditioning and storage of essential oils.

The following packaging instructions are important:

- Always use United Nations approved packaging. This packaging is suitable for the transport of dangerous

goods, including essential oils. Contact your packaging supplier for more information.

- Consult your buyer for specific packaging requirements.
- For details on packaging materials, see the [European Federation of Essential Oils](#) on the transport of dangerous goods.
- Preserve the quality of essential oils by using containers of a material that does not react with constituents of the oil (e.g. lacquered or lined steel, aluminium).
- Do not reuse packaging materials.
- Do not use detergents if you must clean containers of working materials. They may contaminate the oil because of residues. Only use water or alcohol and let it dry carefully.
- Fill headspace in containers with a gas that does not react with constituents of your oil (e.g. nitrogen or carbon dioxide). If your essential oil reacts with air in the container, this process may result in quality deterioration.
- Facilitate the recycling of packaging materials by European buyers. For example, use containers of recyclable material (e.g. metal).
- Store containers in a dry, cool place to prevent quality deterioration.
- Keep Organic certified essential oils physically separated from conventional essential oils.

Examples of common types of packaging:



4. What competition do you face on the European market for essential oil?

Market expansion provides more opportunities for suppliers

In the past five years, the balance between global supply and demand shifted in favour of suppliers. Particularly, growing economies in Asia such as China are causing a rise in demand for essential oils and the raw materials used for distillation. At the same time, global supplies are under pressure:

- Land for agriculture is converted to urban area.
- Farmers are migrating to cities.
- Climate change causes crop failure.
- Farmers switch to food crops with more stable demand and prices.

In the long term, these developments will increase sales opportunities and reduce dependence on Europe as a market for your products. You will fetch higher prices for essential oils, especially when you can meet the stringent requirements of European buyers. Although competition on the essential oils market will decrease, multinational flavouring manufacturers will provide significant competition in ready-to-use flavourings. They have often already gained a strong position in the emerging markets.

Buyers strengthen relationships with suppliers

On the mature European market for essential oils, buyers of strategic essential oils tend to strengthen their ties with existing suppliers. Strategic essential oils are of crucial importance to end-users, while their availability is not always certain.

Buyers of these strategic products are becoming more interested in visiting their suppliers in person. This approach is to develop trust and to gain an understanding of the social as well as cultural environment of their suppliers and their cost structure. They also provide pre-finance, equipment or other resources in return for transparency and reliable supplies. In addition, they provide technical assistance to improve the quality or yields of production and the sustainable management of natural resources.

Tips:

Gain a better understanding of your buyers' needs in order to comply with their expectations.

Find out whether your buyer perceives your product as a strategic ingredient. If your product is strategic to them, invite them to work together with you on the sustainability of supplies.

When you have a solid relationship with a buyer, you can discuss your working capital and investment needs. Explain to the buyer how their financing will result in more reliable supplies.

Each competitor specialises in a certain essential oil

Brazil is the leading supplier of essential oils to Europe in terms of volume, as it supplies large amounts of relatively low-priced citrus oils with an average value of € 7/kg. In the period 2012–2016, the citrus greening disease had a large impact on crop sizes in Brazil and other countries. Despite an average annual decrease of 6% in essential oils supplies to Europe in this period, Brazil remains the leading supplier of commodity oils such as orange oil. The industrial-scale plantations and processing facilities can produce citrus oils at low prices that can be matched by few other sources.

Other leading suppliers to the European market from developing countries in 2016 included China (7% of the total European import value), Mexico (5%), India (4%), Argentina (4%), Indonesia (2%), South Africa (1%) and Madagascar (1%). China is a particularly large supplier of low-value oils such as eucalyptus oil, mint oils, cedar wood oil and star aniseed oil. Mexico supplies mainly citrus oils and India exports particularly large quantities of mint oils.

Imports from certain developing countries increased particularly rapidly. In addition to Mexico (growing by 20% annually), emerging suppliers include South Africa (12% annually), Madagascar (17% annually), Morocco (15% annually) and Egypt (10% annually).

Emerging supplier from developing country	Essential oils and extracts
Madagascar	Clove leaf, ylang-ylang, geranium, pepper, ravensara, tagetes
Morocco	Rosemary, armoise, bitter almond, cedarwood, cistus, mastic, myrrh, myrtle, neroli, oregano, orris extracts, sage, thyme, verbena, chamomile, artemisia, jasmine absolute

Egypt	Geranium, basil, chamomile, jasmin absolute, onion, coriander, cumin, violet, cassie absolute, petitgrain, neroli, marjoram, aniseed, leek, tagetes
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The role of the Netherlands in the European trade of essential oils is re-exporting to other countries. A major entry point in the Netherlands is the Port of Rotterdam, from where essential oils are physically distributed. The relevance of the Netherlands for essential oils suppliers is limited, as importers in surrounding countries such as Germany are responsible for much of the distribution through the Netherlands. Only few importers are based in the Netherlands.

In terms of value, the United States (€ 143 million) and France (€ 124 million) are the leading suppliers of essential oils to Europe. France has a very strong fragrance industry, which exports or re-exports many essential oils to other European countries. As US and French suppliers add a lot of value to products (e.g. purification), the average value of their exports or re-exports to European countries is relatively high. US and French supplies to Europe average € 28/kg and € 32/kg, respectively, whereas supplies from other countries average only € 20/kg.

New suppliers need to differentiate

If you are a new supplier on the European market, you will need to do more in order to differentiate yourself from your competitors; for example, through:

- a better price;
- a unique flavour profile;
- Organic certification;
- a provenance story (story about the origin and production of your product);
- a strategy for long-term cooperation.

Provenance stories will become particularly interesting in the long term. European buyers want to know where and how you produce their essential oils. They can use this information to gain control over the sustainability of their supply chains.

Tip:

Join the [Supplier Ethical Data Exchange](#) (SEDEX) to provide transparency about your supply chain, or develop a provenance story to publish on your website and other promotion materials.

Buyers show interest in natural substitutes

In the short-term, the substitution of “unnatural” ingredients will remain a hot topic on the essential oils market. Food and beverage manufacturers continue to substitute synthetic and nature-identical flavours with natural flavours, despite high reformulation costs.

Substitution offers particularly interesting opportunities if you can supply large quantities of a consistent quality which matches that of the synthetic flavour. This ability is particularly relevant on markets for vanilla and menthol.

Tip:

Promote the substitution of synthetic ingredients with your product. Address the weaknesses of your

product compared to its synthetic equivalent, such as quality consistency and quantities.

Most price competition on commodity oils markets

European buyers of commodity essential oils with good availability (for example, orange and peppermint oil) offer little room for price negotiation.

Sometimes, suppliers offer low prices in order to gain access to the market. When they raise prices to sustainable levels, buyers often lose interest and switch to other suppliers. This situation undermines sustainable production, as suppliers are not given the economic incentives to invest in their production.

Markets for niche oils are less competitive and offer more room for negotiation. Niche oils are distilled from unique raw materials or offer another unique selling point. Oils from rosemary, roses and chamomile are some examples of niche oils. In total, around 150 essential oils are traded commercially in Europe. Around 90% of them are niche oils. Unique selling points of niche oils other than unique raw materials include Organic certification and an attractive provenance story.

Tips:

Always be available for communication! Be open and honest in your communications. Promptly answer questions and requests from your potential buyers. Keep the promises that you make. This strategy will help to build trust between you and your buyer.

Gain a better understanding of your buyers' needs. Take more responsibility for your products in order to comply with expectations. For example, cooperate with other stakeholders in your sector to establish a laboratory in order to learn about the properties of your products.

Increase the scale of your operations to improve production efficiency and prices.

Analyse export data of countries that produce similar or competing essential oils. In many cases, there are more specific export statistics available from statistics offices of exporting countries. You could, for example, check the website of [Spices Board India](#).

You can consider joining a cooperative in order to offer buyers large quantities of a standardised quality.

Promote the fact that your product is natural. Strengthen your image as a supplier of natural products by improving the sustainability of your production.

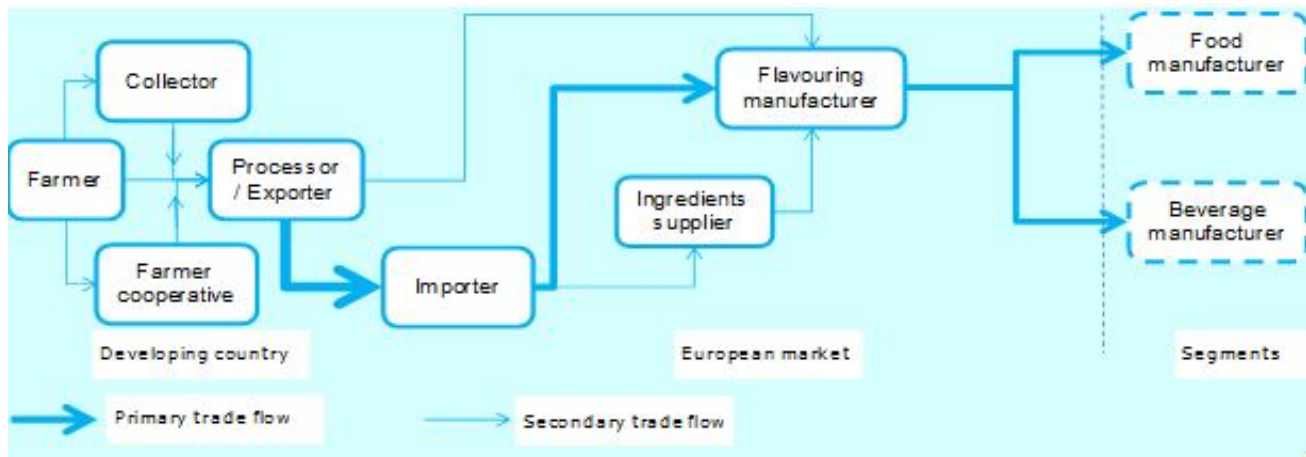
If you have access to raw materials from farmers which produce organic by default or which can easily convert to organic production, obtain Organic certification.

Apply processing technology which is close to nature and efficient and which results in consistent quality.

5. Through which channels can you get essential oils on the European market?

The main markets for essential oils are cosmetics, foods, aromatherapy and tea. Here, we focus on the European market for essential oils for food. This market accounts for roughly 30% of the total essential oils market. See our studies of [essential oils for fragrances](#), [essential oils for aromatherapy](#) and [tea](#) for more

information on the other markets.



Essential oils commonly pass many different intermediaries before they reach the consumer. Importers and ingredients suppliers add value to the product through their logistics services. Flavouring manufacturers as well as food and beverage manufacturers add value by transforming the product.

Target importers

If you want to export essential oils for food to Europe, it is best to target importers of raw materials (e.g. essential oils) for the food industry. These companies are specialised in the import of a wide range of raw materials for flavouring manufacturers and other users such as fragrance manufacturers.

Most of the importers focus on the import of essential oils from the countries of origin. A few others focus on sales and distribution, buying many of their essential oils from the major importers. They only source their most strategic products in the country of origin.

Importers generally source their products from different countries. They need different sources to secure supplies. For example, when one source has a disappointing harvest, importers can turn to their other sources.

The bulk imports from different sources and stocking by importers serve as a buffer on the market. This buffer function protects food and flavouring manufacturers from market volatility and makes importers indispensable.

Export to flavouring manufacturers

Driven largely by a need for more control over their supply chain to achieve a sustainable and well-documented supply of strategic indispensable ingredients, European manufacturers of flavourings are engaging more often with suppliers in developing countries. Instead of purchasing their raw materials (i.e. essential oils) from importers, they source them directly at the origin. An additional benefit for manufacturers is the possibility to implement their sustainability strategy through sourcing activities and use this aspect for marketing purposes. The International Fragrance Association (IFRA) website provides [several case studies of sustainable sourcing](#).

European companies need very high supply security. In order to achieve consistency in supplies, they often choose large-scale contract farming. This strategy gives them the most control over production in terms of both quantity and quality. Alternatively, when production is fragmented and small-scale, local traders often play an important role in organising and consolidating production.

In general, flavouring manufacturers who source directly from countries of origin also continue to purchase from European importers. They source through different channels to secure stable supplies in case of a supply problem at one of their sources.

No direct trade with food and beverage manufacturers

European food and beverage manufacturers purchase their flavourings from specialised flavouring manufacturers. They do not purchase flavourings directly from suppliers in developing countries. While they also purchase from European importers, they do so to a lesser extent.

European food and beverage manufacturers do not purchase directly from suppliers in developing countries because:

- they increasingly need more complex flavours, which helps them to differentiate their products from the product of their competitor. They rely on flavouring manufacturers to do research and develop new products. For example, flavouring manufacturers can develop unique low-cost flavours which retain their functional properties under specific conditions (e.g. heat and acidity);
- they increasingly demand tailor-made products for use in very specific product formulations. This process requires close face-to-face collaboration with flavouring manufacturers in order to exchange technical knowledge;
- they require high quality consistency. This fact is often achieved through fractionation and isolation of chemical constituents of essential oils. These processes require high-tech equipment and skilled staff.

Tips:

Visit trade fairs such as Natural Ingredients Europe and Biofach to meet with importers of essential oils and flavouring manufacturers.

See our [tips on finding buyers for natural food additives](#) if you need more information on this topic.

Benefit from the experience and knowledge of specialised European importers instead of approaching end-users directly. Especially for exporting speciality essential oils, traders are the most suitable distribution channels.

Do not target food manufacturers directly unless they use basic flavours in commodities. When you target these food manufacturers, you must be able to meet strict product specifications. You must also have the technical expertise to advise on application.

6. What are the end-market prices for essential oils?

Prices of essential oils differ widely. An important factor determining the price is the oil yield of the raw material (the percentage of oil that can be extracted from the raw material).

For example, orange oil yields are relatively high, ranging between 0.4% and 0.5%. Distillation of onion yields only between 0.005% and 0.01% of essential oil. Orange oil currently fetches prices of around € 7-8/kg for Free On Board (FOB) Brazilian orange. Onion oil prices have increased to over € 650/kg.

Prices of raw materials are another determining factor. Changes in the raw material's availability can have a significant influence on the price of the essential oil. Natural disasters, poor harvests or changing regulations are common causes of raw material shortages.

Product	Price per kg (Free On Board)	Development
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Orange oil (Brazil)	€7.50–9.00	2017-2018 season started with the high prices from 2016-2017 season. Although a good crop volume is expected, there are doubts of quickly decreasing quotations.
Lime oil (distilled from Mexico/Peru)	€30	Fresh fruit market is ruling prices. Production is lower. Lower production and strong demand push prices upwards.
Grapefruit oil	€100–110	Production is once again expected to be lower, also caused by hurricanes in autumn.
Lavender oil (France)	€120	Hugh demand keeps prices of French and Bulgarian lavender oil up.
Rose oil (Bulgaria)	€8,000–9,000	There are no signs of decrease at the moment. Volumes are stable.
Geranium oil (Egypt/Tunisia)	€50	Despite increasing demand, prices have been stable and somewhat calmer. To predict development is impossible, as speculators step in and out of this product. Some qualities are questionable.
Rosemary oil (Tunisia)	€650	Season is between March and August. Supplies were good.
Onion oil (Egypt)	N/A	Summer 2017 crop of FCC quality sold out. Next production of non-FCC quality starts late December 2017.
Garlic oil	€275	Strong demand for garlic exceeds supplies and pushes price upwards.

Value addition by importers

Importers typically add a percentage to the prices for their essential oils. These percentages are lower for large lots than for small lots.

The costs of importers per lot are often similar and thus differ strongly per kg within the lot. The below prices are based on costs for airfreight, handling (incl. clearance) and quality control:

	Onion oil (Free On Board price of € 550/kg)	Marjoram oil (Free On Board price of € 50/kg)
10-kg lots	7-8%	-
50-kg lots	2%	18%
100-kg lots	-	9%

Flavouring manufacturers may add another 25-100%, depending on activities (e.g. testing, stocking, rectification, blending).

Tips:

Minimise costs by sourcing low-cost raw materials with a high essential oil concentration in order to become price competitive. The shape, size and appearance of raw materials are irrelevant for essential oil extraction. However, the costs of high-grade raw materials can be many times higher than the costs of low-grade raw materials.

Grade your product according to international standards, then base your price on global market prices for that specific grade.

Monitor harvests of raw materials in major production countries. This approach helps you to anticipate price developments for your specific essential oil. Check the reports of the International Trade Centre for [updates on price developments](#).


Build strong relationships with your buyers. This process helps to reduce the impact of global price drops for your product. Buyers are commonly willing to pay a little extra to their preferred suppliers when prices are low.

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