

7 tips for organising your export of natural ingredients for health products to Europe

As an exporter of natural ingredients to Europe, you must organise your exports to Europe efficiently. Success means your natural ingredients will enter the European market, whereas failure could mean no entry. You must therefore have a good understanding of practical matters regarding exporting your natural ingredients.

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1. Choosing the right international payment terms

Payment is the basis of all trade, with international trade presenting risks to all involved. Before trading with European buyers, carry out risk assessments of the various payment methods available. As an exporter of natural ingredients from a developing country, minimise your risks whilst working to meet the needs of European buyers.

Table 1: Factors to consider when choosing a payment method

	Cash in Advance	Letters of Credit	Documentary Collection	Open Account
Customer relationship	New	New	Established	Established
Nature of order	Custom	Custom	Normal	Normal
Political situation	Unstable	Unstable	Stable	Stable
Economic situation	Unstable	Unstable	Stable	Stable
Competitors offer terms	No	No	Yes	Yes
Risk of price changes	Yes	Yes	No	No
Need to control cash flow	Yes	Yes	No	No

Letters of Credit

For both importers and exporters, Letters of Credit (LC) are considered the safest method of payment. This is because an LC lets both parties contact a neutral arbitrator, usually a bank, to resolve any issues. The chosen bank then guarantees the exporter will receive full payment as long as the goods have been dispatched. In such instances, to avoid further losses, exporters should find new buyers and pay for the return of dispatched goods.

Based on their needs, importers and exporters can choose from several LC payment methods. These include standby, revocable, irrevocable, revolving, transferable, non-transferable, back-to-back, red clause, green clause and export/import. For exporters, standby LC is considered the safest and is commonly used in international trade. This is because it provides security to both importers and exporters if these parties have little trading experience with each another.

Cash in Advance

Having the right payment method is a key aspect of building long-lasting relationship with buyers. As there are several methods of payment to choose from, carefully consider the advantages and disadvantages of each one before deciding. For exporters, Cash in Advance is advantageous [because](#) it carries reduced levels of risk, as payment for natural ingredients is received before delivery.

Cash in Advance puts buyers at a [disadvantage](#), since payment is made before the natural ingredients are received. Cash in Advance payments are usually made using wire transfer or credit card payments. Escrow services offered over the internet are becoming increasingly popular because of their [advantages](#) to both importers and exporters.

Use Cash in Advance when trading high-value natural ingredients with European buyers, especially those with poor credit ratings. This minimises your risks. However, exporters that only accept Cash in Advance are at a competitive disadvantage. Therefore, try to be as flexible as possible and reach a compromise with buyers. This could lead to long-lasting relationships.

Documentary Collection

Documentary Collection is an international payment method that allows exporters to use banks to collect their payment on delivery of documentation. Advantages of Documentary Collection include the fact that it is less expensive and more flexible than LC. However, one of the disadvantages is that European buyers might not make payments despite receiving the correct documentation.

Open Account

A second international paying method is Open Account. With this method, exporters deliver natural ingredients before receiving payment. This carries serious risk for exporters, particularly when there is no established trading relationship between the parties. This is because there is no guarantee that exporters will receive payment after delivering the goods. Once a business relationship has been established, however, the Open Account method is recommended. In any case, exporters should purchase insurance to protect themselves from situations of non-payment.

A third international payment method is consignment, which is a variant of open account. Here, payment is made to the exporter once goods have been sold by an independent distributor to exporter. Note that consignment is not used for raw natural ingredients; it is usually used for finished goods.

As an exporter, you need to consider a number of factors before choosing an international payment method. These include your and the importer's expectations, financial resources and time available, prior experience and desire to take risk.

Several leading financial institutions provide assistance services to exporters who want to export their natural ingredients to Europe. They include [HSBC](#), [Deutsche Bank](#) and [BNP Paribas](#). Consider seeking their services if you are in need of assistance.

Tips:

Before entering into discussions with European importers, familiarise yourself with their expectations, competitors and the most frequently used payment types for the natural ingredients.

Seek the assistance of financial institutions, such as banks or agents, to determine the limits of your ability to negotiate. This will allow you to negotiate far more effectively and efficiently.

When negotiating payment terms with importers, be as flexible as possible whilst working to minimise your risks as an exporter. Use a mixture of payment methods, as this reduces risks for both parties involved and shows your willingness to compromise. Using Cash in Advance for 50 percent of the payments and LC or Documentary Collection for the remaining 50 percent is an example of a mixture of payment methods.

When customising payment methods, consider several factors, such as the type, term and size of the contract and the value of natural ingredients. When trading high-value natural ingredients, use payments such as Cash in Advance or LC, as they offer the most security.

Once payment terms have been agreed, appeal for a written contract with the payment terms agreed or make sure that these terms are included in your final contract. Ensure that you carefully read and understand the terms agreed before signing any contract. It is essential that any changes be made before a contract is signed. It is difficult to change contractual terms once an agreement has been signed.

2. Purchase export insurance

Export insurance protects exporters from risk factors when they are exporting their natural ingredients to Europe. Risks include non-payment of goods and services despite delivery, costs of return of delivery or refusal of acceptance and damage to or loss of goods in transit.

Moreover, not having export insurance could be financially crippling or at the minimum reduce your ability to trade if you encounter difficulties during the import/export process. In this respect, export insurance is vital.

The most common types of insurance in this sector are given below:

- Export credit insurance reduces the financial risk when exporting goods. A key advantage of having export credit insurance is that exporters are protected in the event of a buyer going bankrupt, being slow in making payments or defaulting on payments entirely.
- Political risk insurance protects companies against the possibility that a government will take action that causes the insured party to experience a large financial loss. Examples include government confiscation of property, political violence, the inability to convert local currency and repatriate it, sovereign default and even acts of war.
- Marine insurance is considered one of the most crucial types of insurance for goods exporters. Marine insurance offers protection against loss of or damage to ships, cargo, terminals and any means of transport by which the goods are transferred, acquired or held between the points of origin and the final destination. Marine insurance also covers property that is exposed onshore and offshore and marine casualty, hull and marine liability insurance.
- Currency insurance is another type of export insurance. Fluctuations in foreign exchange rates can lead to

great losses for exporters. This type of insurance covers any losses that may arise from the negative effect of currency movements.

To find the best places to purchase export insurance, you should contact your country's trade ministry. This is because trade ministries have experience assisting exporters in getting their products to new, unfamiliar markets. For instance, exporters from India can visit the [Indian Trade Portal](#) for assistance.

For details of well-known companies selling export insurance to exporters from developing countries, [click here](#). For exporters of natural ingredients from South Africa, the [Export Credit Insurance Corporation of South Africa](#) is a leading provider of export insurance.

Tips:

As an exporter, make sure to purchase export insurance, particularly export credit insurance. This is because export credit insurance offers exporters the best protection against several potential risk factors that could end their business.

Before contacting insurance companies for a quote, make sure you have the necessary information at hand. This will save time. Additionally, speak to an insurance broker to find out what documentation is required to purchase insurance. Usually, basic information about your company, a copy of an invoice and the name of your buyer is enough when applying for an insurance policy.

Make sure detailed information about your business, such as your businesses turnover, its risk and liabilities, is easily available. Such information is required to create a policy specific to your business needs as an exporter.

Carefully assess the business case and purchase other types of insurance available on the market. The other most common types of insurance in this sector are sellers' insurance and goods-in-transit insurance.

3. Be compliant with customs

As an exporter of natural ingredients, you must comply with European Union (EU) customs policy. In case of non-compliance, your natural ingredients will not enter the European market and your business will incur significant costs. This may also result in financial penalties and end any trading relationships with European buyers.

To successfully go through EU customs procedures and get your natural ingredients onto the European market, your ingredients must have a [Certificate of Origin](#). This is used to determine the tariff for the natural ingredients that you are exporting to the European market.

Natural ingredients are identified by a code number in the [Combined Nomenclature](#). The [EU Common Customs Tariff](#) applies to the import of goods from outside the EU's external borders. Visit the [European Commission Trade Market Access Database](#) to determine what requirements your natural ingredients must be compliant with. Table 1 gives examples of tariffs for natural ingredients for natural health products.

Table 2: EU Tariffs for natural ingredients used in the health products sector

HS Code	Ingredient	Tariff
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121221	Seaweeds and other algae fit for human consumption	0.0%
091030	Turmeric (curcuma)	0.0%
33019090	Other essential oils of geranium	3.0%

Source: TARIC

Some EU Member States may also have specific customs requirements for the import of goods to their country. There may be differences regarding customs procedures, documents, laws and regulations and proof of origin. Customs brokers and freight forwarders can complete the customs process for you; consider seeking their services.

Sanctions imposed for non-compliance with EU customs policy differ across EU Member States. However, all EU Member States impose sanctions for non-compliance with EU customs policy.

The EU has entered into trade agreements with a number of countries around the world. These are designed to create better trading opportunities and overcome barriers. These trade agreements are categorised into three types based on their content. The three types are Economic Partnership Agreements, Free Trade Agreements and Association Agreements.

The EU also has several trade agreements with countries in Africa, the Pacific and the Caribbean respectively. Furthermore, the EU has reached the final stages of securing trade agreements with the [MERCOSUR](#) trade bloc and Vietnam.

Table 3: EU Economic Partnership Agreements with ACP countries, 2018

EPA Implemented	Africa	West Africa	Côte d'Ivoire
			Ghana
		Central Africa	Cameroon
		Eastern and Southern Africa (ESA)	Mauritius
			Madagascar
			Seychelles
			Zimbabwe
		Southern Africa Development Community (SADC) EPA group	Botswana
			Lesotho
			Namibia
			South Africa
			Swaziland
	Caribbean	Antigua and Barbuda	Jamaica
		Bahamas	St Lucia
		Barbados	St Vincent
		Belize	St Kitts and Nevis
		Dominica	Suriname
		Dominican Republic	Trinidad and Tobago
		Grenada	Guyana
	Pacific		Fiji
			Papua New Guinea

EPA concluded, adoption ongoing	Africa	West Africa	16 countries
		East African Community (EAC)	5 countries
		Southern Africa Development Community (SADC) EPA group	Mozambique
	Caribbean		Haiti

Source: trade.ec.europa.eu

Tips:

Use the [European Commission Trade Market Access Database](#) to determine the [EU Common Customs Tariff](#) applicable to your natural ingredients.

Determine whether the EU Member State you are exporting your natural ingredients to has any specific customs requirements. You can do this by visiting [customs offices](#) in individual European countries, which provide information concerning this. When EU Member States have specific customs requirements, it is essential that you comply with them.

Since customs processes are often difficult to navigate, consider seeking the services of customs brokers and freight forwarders to assist you. Organisations such as [CONFIAD](#) and [GlobalTrade](#) provide assistance with finding customs brokers.

Seek the services offered by the EU Trade Helpdesk, which provides a substantial amount of [information on customs procedures](#) that exporters must comply with. A big advantage of the EU Trade Helpdesk services is that they are free of cost.

Find out about and, if applicable, familiarise yourself with any trade agreements in place between the country you are exporting to and the EU. This will give you a better understanding of customs processes when exporting your natural ingredients.

4. Follow guidance on international transport

As an exporter of natural ingredients, you must use the correct mode of transport. Failure in doing so will cause reputational and financial damage, particularly when a contractual agreement is in place to deliver natural ingredients within an agreed timeframe.

In the natural ingredients sector, two popular modes of transport are air and sea. When deciding what mode of transport should be used to deliver your natural ingredients to Europe, three key factors should be considered carefully:

1. Delivery time – as an exporter, it is necessary for you to understand that European buyers prefer shorter delivery times. Air freight is usually faster than sea freight and is also more reliable with regards to on-time delivery;
2. Volume/quantity of the order – the volume of your order is an important factor to take into consideration

when choosing a mode of transport. Larger quantities are often cheaper to ship by sea. With smaller volumes, air freight can be less expensive, due to smaller margins;

3. Cost of your chosen mode of transport. It is estimated that [sea freight](#) is usually 4-6 times cheaper than air freight. This applies to larger volumes. It is not likely that the price of your cargo will increase substantially if you increase the volume.

When deciding what mode of transport should be used to deliver your natural ingredients to Europe, it is important to consider all three key factors collectively. This is because any trading relationship involves tensions and trade-offs, especially when you are doing business with a European buyer for the first time. Read the [4 factors for considering air freight versus ocean freight](#) article on the website of the Universal Cargo company for more information.

Natural ingredients frequently need to be transported under specific conditions. This is the case in particular when European buyers are using them in natural health supplements, pharmaceutical and aromatherapy products and the food industry. Common specific conditions for transporting natural ingredients include specific temperatures and in specialist packaging.

You must meet these specific conditions by informing your logistics provider of them. Failure to do so can lead to the quality of your natural ingredients having deteriorated by the time they reach the European buyer. This can result in serious consequences for you as an exporter. Serious consequences include European buyers refusing to accept the ingredients and demanding compensation or the end of the business relationship.

Tips:

Keeping in mind the three factors of cost, volume and delivery time, carefully determine which mode of international transport is most suitable for your business needs. Remember that there will be tensions and trade-offs, especially when you are doing business with a European buyer for the first time.

Determine whether your natural ingredients need to be transported under specific conditions. If they do, inform your logistics provider as soon as possible so they can make the necessary arrangements.

Purchase transport insurance, preferably from the country from which you are exporting your natural ingredients. This is because you will be faced with a larger number of risk factors.

The transport sector makes frequent use of [INCO terms](#). Familiarising yourself with these terms will give you an advantage whilst working with logistics providers. Examples of these terms are Delivered Duty Unpaid (DDU) and Delivered Duty Paid (DDP). Other common terms in the transport sector can be [found here](#).

5. Use correct packaging

As an exporter of natural ingredients, you must use the right packaging. Failure to do so puts your natural ingredients at risk of damage, bringing serious consequences. For example, the quality of your natural ingredients deteriorating can lead to European buyers refusing to accept them, resulting in financial losses.

Common causes of damage to natural ingredients include incorrect transport, storage and handling, as well as contamination and theft. You must ensure that your natural ingredients are protected against these common causes of damage. Important factors to consider for natural ingredients are using the right packaging material, handling ingredients carefully and a low risk of contamination.

Speak to your logistics provider to ensure that your natural ingredients are well protected, and purchase transport and theft insurance. On their journey to Europe, your natural ingredients will likely be handled by several people, so ensure that your natural ingredients are safe and easy to handle.

You must display the relevant labels, symbols and texts concerning your natural ingredients on the packaging. At the same time, you can use this as an opportunity to market your business. You can do this by displaying your business logo and information, such as contact details, on the packaging.

Companies are putting increasing emphasis on [reducing waste](#) as a way to reduce their carbon footprint and other forms of environmental impact. For example, some companies are using recycled packaging materials and less resource-intensive packaging materials. As an exporter, consider using environmentally friendly packaging, as this could help you with potential customers.

Tips:

Determine if your buyer of natural ingredients has any specific packaging requirements.

To avoid any deterioration in quality, make sure your natural ingredients are stored in the correct conditions. Do this by informing your logistics provider of the conditions in which they need to be transported.

As your natural ingredients are likely to be handled by several people on their journey to Europe, ensure they are safe and easy to handle.

Strongly consider purchasing goods-in-transport insurance. This provides protection against risk factors that could potentially end your business. These risk factors include incorrect storage and handling, as well as contamination and theft of natural ingredients.

If your natural ingredients are listed as hazardous and have a UN number, use UN-approved packaging. See the [UN Recommendations on the Transport of Dangerous Goods](#) for further information.

Use the packaging of your natural ingredients as an opportunity to market your business.

Check your product in the [European Union Labelling/Marking Requirements](#) to familiarise yourself with packaging and labelling requirements

6. Seek assistance

A number of government agencies, non-governmental organisations and commercial organisations are increasingly offering services to help exporters. A key advantage of using their assistance is that they are likely to give you vital information about the marketplace. Furthermore, assistance is often free, especially from government agencies and non-governmental organisations.

The [Centre for the Promotion of Imports from developing countries \(CBI\)](#) is a government agency that assists exporters. Specifically, it offers expert coaching, training and literature to help exporters access the European market. The [Import Promotion Desk](#), the [EU Trade Helpdesk](#) and [Open Trade Gate Sweden](#) are other government agencies that assist exporters. Consider seeking their respective services.

[Africrops](#) is a non-governmental organisation providing consulting and training services to exporters of natural ingredients from several African countries. The [IDH](#) is another non-governmental organisation helping exporters from developing countries to export their products to the European market.

[Global Logistics Associates](#) provides lists of companies offering logistical services to exporters; consider contacting companies that meet your business needs. You could also consider seeking the services of [Logistics Alliance Germany](#), which represents leading logistics service providers across all modes of transport.

[EvoFenedex](#) has a network of Dutch trade and production companies that provide international operational and logistics services. Consider seeking its services. Government bodies in countries you are exporting to can also provide assistance, such as the Ministry of Trade or Business. Consider seeking their help, which is often free of cost.

Tips:

Read [CBI's tips for finding European buyers](#) in the natural ingredients for health products sector. CBI's literature will help you successfully establish trade with European buyers.

Read [CBI's tips for doing business with European buyers](#) of natural ingredients for health products. By doing so, you will learn how to successfully develop and maintain positive relationships with European buyers.

Read CBI's [guidance](#) on effectively preparing technical data sheets and safety data sheets and sending samples for natural food additives. Doing so will help you establish trade with European buyers.

Seek the assistance of trade chambers and agencies working to promote international trade in your home country. Their expertise can help exporters such as yourself establish trade relationships in foreign countries.

7. Meet common buyer requirements

Some European buyers of ingredients for natural health products only buy organic raw materials. This is driven by growing consumer demand for organic products. In this scenario, make sure you provide organic certification if your ingredients are organic.

The EU can provide [assistance](#) in producing and marketing organic ingredients. The [International Federation of Organic Agriculture Movements](#) (IFOAM) also provides assistance, from producing to trading organic ingredients.

European buyers also often require natural ingredients to be sustainably produced. Some European buyers want certified [fair trade](#) ingredients. This trend is likely to continue in the future, as consumers are increasingly demanding sustainably produced products.

Another way to get verification and certification is to meet environmental and social standards. For environmental sustainability, for instance, consider meeting the [UNCTAD BioTrade Initiative BioTrade Principles and Criteria](#), as well as the [FairWild](#) Standard.

Tips:

Identify common requirements of European buyers of natural ingredients for natural health products and try to meet them. Be honest and avoid making promises that you cannot meet, as this could lead to the end of your trading relationship.


Once you meet common buyer requirements, communicate this. For example, inform prospective European buyers that you already meet standards and quality requirements.

Ensure that documentation proving you meet common buyer requirements is in order and is easily available, such as a [Certificate of Inspection](#) and fair trade certification. For example, [Baobab Fruit Company](#) sells EU-certified organic ingredients for health products.


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