

Tips for organising your export of natural food additives to Europe

As an exporter of natural food additives, it is important for you to organise various aspects of your export activities to Europe. You must have a good understanding of practical matters regarding exporting your natural food additives to Europe. This includes having an understanding of customs, tariffs, transportation and documentation. These matters will determine your success or failure in terms of exporting your natural ingredients to Europe.

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1. Choose suitable 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. Payments terms can differ depending on the European buyer and their requirements. It is therefore important to be open-minded and flexible when choosing your international payment terms.

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
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Source: SunTrust International

Letters of Credit

For both importers and exporters, Letters of Credit (LC) are considered to be 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 it 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 other.

Cash in Advance

Having the right payment method is a key aspect of building long-lasting relationships 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 it being 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 payment method is Open Account. With this method, exporters deliver the 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. However, once a business relationship has been established, 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. 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](#), [Crédit Agricole CIB](#) and [BNP Paribas](#). Consider seeking their services if you are in need of assistance.

Tips:

Find out your [buyer's requirements](#), alongside the most common payment methods for natural food additives. This way, you will know what to expect when approaching prospective buyers.

When deciding on payment methods, consider several factors, including your and the importer's expectations, time and financial resources available, previous experience and willingness to take risk.

Take a flexible approach when negotiating methods of payment with importers. Importers will always demand the most secure payment terms for themselves, which is usually Open Account. Show willingness to negotiate, but be honest and only commit yourself to what is possible for you. Consider using a combination of payment methods. For example, suggest using cash in advance for 50 percent of the fee and letters of credit or documentary collection for the other 50 percent. By using a mixture of payment methods, both parties are given greater safety and security. Furthermore, doing so shows your flexibility and enthusiasm to cooperate with European buyers, putting you in a good position to develop a long-term trading relationship.

Once the method of payment and the payment terms have been agreed, request a written contract with the payment terms agreed or ensure they are included in your final contract. Then, carefully read and ensure you understand the agreed terms. Any changes should be made before you sign the contract.

2. Purchase export insurance

Export insurance is designed to protect exporters from a range of damaging risk factors that could lead to the end of their business activities. This is the main advantage of purchasing export insurance. Examples of damaging risk factors include non-payment of goods and services despite their delivery, the costs of return of delivery or refusal of its acceptance and damage to or loss of goods in transit.

Not having export insurance leaves exporters unprotected in the event they encounter difficulties during the import-export process. At best, this could adversely affect an exporter's ability to trade; at worst, this could lead to the end of their business activities. As an exporter of natural food additives, you should purchase export insurance.

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

- Export credit insurance reduces the financial risk when exporting goods because it provides protection. 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.
- 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. This type of insurance offers protection against loss of or damage to ships, cargo, terminals and any means of transport by which the property is 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.
- Currency insurance is another type of export insurance. Fluctuations in foreign exchange rates can lead to great losses for exporters. This type of insurance

In order to purchase these types of insurance, you will be required to provide documentation to insurance providers. Documentation that is commonly asked for includes proof of your address along with a commercial invoice that contains information about your shipment of natural ingredients, such as its buyer, volume and value.

Exporters can find the best places to purchase export insurance by contacting their country's government trade ministries. For example, exporters from the Philippines can contact the Philippines' [Department of Trade and Industry](#). In addition to this, exporters of natural food additives in the Philippines can approach the [Philippine Export-Import Credit Agency](#), which is a leading provider of export credit insurance.

Other countries offer assistance too. For example, exporters from India can visit the [Indian Trade Portal](#) for assistance with exporting to the European market. For details of well-known companies selling export insurance to exporters from developing countries, [click here](#).

Tips:

If you are looking to export natural food additives, ensure you have export insurance. Export credit insurance in particular offers exporters the greatest levels of protection against several serious risk factors, such as buyers going bankrupt.

Carefully assess if there is a business case for you to purchase other types of insurances that the market offers. Other types of frequently purchased insurance include sellers interest insurance and goods-in-transport insurance.

Before approaching insurance providers to obtain a quote, ensure you have the correct information available. If you are unsure about the documentation needed, consider contacting an insurance broker for their assistance.

Make sure detailed information about your business, such as its risks, liabilities and turnover, is readily available. This is because information such as this is required to create a policy specific to your business needs. Furthermore, doing so will save you time.

3. Ensure compliance with customs

As an exporter of natural food additives to Europe, you must be compliant with European Union (EU) customs policy. This is because failure to comply could result in your natural food additives being refused entry into the European market, leading to your business incurring significant costs. This may also result in financial penalties and trading relationships with European buyers being ended.

Import duties for your natural food additives, such as tariffs, are determined by the country of origin. Goods are identified by a code number in the [Combined Nomenclature](#). Goods imported from outside the EU's external borders are subject to the [EU Common Customs Tariff](#). Visit the [European Commission Trade Market Access Database](#) to find the requirements for your natural food additives. Table 1 provides an example of tariffs for natural food additives.

Table 2: EU Tariffs for natural ingredients used in the natural food additives sector.

HS Code	Ingredient	Tariff
130231	Agar-agar from the Philippines	3.0%
130239	Carrageenan – Powder, refined from the Philippines	7.0%
130120	Gum Arabic – Hashab powder from Sudan	10.0%

Source: TARIC

For your natural food additives to successfully enter the European market, they must meet the specific customs requirements of any EU Member State. You must therefore be compliant with the differing customs procedures, laws and regulations and documentary processes of the relevant EU Member State. Non-compliance could result in your natural food additives not being allowed to enter the market of the respective EU Member States.

Non-compliance with EU customs policy can also result in you incurring sanctions such as financial penalties. This is because all EU Member States impose sanctions for non-compliance with EU customs policy. You must therefore be compliant with EU customs policy.

Consider seeking the services of customs brokers and freight forwarders who can complete the customs process for you. This is because it is a challenging process for exporters to go through.

In order to overcome trade barriers and increase trading opportunities, the [EU has trade agreements in place with numerous countries around the world](#). These trade agreements have been categorised into three types according to their content. [The three types are](#): Association Agreement, Economic Partnership Agreement and Free Trade Agreement. Trade agreements are also in place between the EU and African, Pacific and Caribbean (APC) countries, with several others under negotiation.

Table 3: EU Economic Partnership Agreements with APC 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 find out which [EU Common Customs Tariffs](#) apply to your natural food additives. After doing so, ensure you are compliant with them.

The EU Member State to which you are exporting your natural food additives may have specific customs requirements. Find out by contacting [customs offices](#) of individual European Member States, as they often provide information about this. If EU Member States have specific customs requirements, ensure you comply with them.

Determine if there is a need for you to employ assistance services offered by customs brokers and freight forwarders. This is because customs processes are difficult for exporters to go through. However, this will come at some financial cost. The [International Federation of Customs Brokers Associations](#), the [International Federation of Customs Brokers and Customs Representatives](#) (CONFIAD) and [GlobalTrade](#) provide [help finding customs brokers](#).

The EU Trade Helpdesk provides a range of services to exporters in regards to [customs procedures](#) they must be compliant with. A major advantage of seeking the EU Trade Helpdesk services is that they are free of cost. It is therefore worthwhile using the EU Trade Helpdesk.

[Check if](#) your country has a trade agreement in place with the EU. Check the [EU Negotiations and agreements](#) to find out if your country has a trade agreement in place with the EU. If it does, familiarise yourself with it. Doing so gives you a better understanding of customs processes when exporting your natural food additives to Europe.

4. Follow guidance on international transport

Transporting your natural food additives to Europe can be done through different modes of transport. The two most commonly used modes of transport for natural food additives are sea and air. As an exporter, you must select the right mode of transport because success will improve chances of having long-term trading relationships with European buyers. Conversely, failure could result in financial losses and reputational damage to your business.

Before selecting which mode of transport you will use to deliver your natural food additives to Europe, you must carefully consider three key factors:

1. Delivery time – as an exporter, it is necessary for you to understand that European buyers prefer shorter delivery times. Air cargo is usually faster than sea freight. Air freight is also more reliable in terms of delivery time.
2. Volume of your natural food additive to be delivered – 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, as margins get smaller.
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.

You must consider all three key factors collectively, and not just one individually, when deciding which mode of transport you will use to deliver your natural food additives to Europe. This is because there are always pressures and compromises, particularly when you are starting to trade in Europe. For further assistance on deciding what [mode of transport](#) to choose, look at a range of factors to make a more informed decision. It is advisable to do your market research in advance.

Natural food additives often need to be transported and stored under specific conditions. These include specific temperatures and specialist packaging. This is to ensure the quality of the natural food additives does not deteriorate. For example, [carrageenan](#) needs to be transported and stored under specific temperatures so it retains its quality.

You must inform your logistics provider if your natural food additives need to be transported and stored under specific conditions. Failure to do so may lead to the quality of your natural ingredients deteriorating before they reach Europe. This could have serious consequences, such as European buyers rejecting your natural food additives and wanting compensation, along with the end of any business relationship.

Tips:

Carefully decide which mode of transport should be used to deliver your natural food additives to Europe. You must consider the three key factors of delivery time, volume and cost collectively.

Find out if your natural food additives need to be transported and stored under specific conditions on their journey to Europe. If they do, you must inform your logistics provider.

Purchase international transport insurance, ideally from the country your natural food additives are being exported from. This is because being covered by international transport insurance protects you from a greater number of risk factors.

In the transport sector, [INCO](#) terms are used frequently. Familiarise yourself with INCO terms, as doing so gives you an advantage when you work with logistics providers. INCO terms include Delivered Duty Unpaid (DDU) and Delivered Duty Paid (DDP). You can find other [INCO terms](#) that are frequently used in the transport sector online.

[Review](#) the information and assistance provided by Freightos to help you choose the most suitable mode of transport to deliver your natural ingredients to the European market.

5. Get your packaging right

As an exporter of natural food additives to Europe, you must correctly package them. Failure to correctly package your natural food additives leaves them exposed to serious risk of damage. Common causes of damage to natural food additives include incorrect handling, storage and transportation, contamination and theft.

Talk to your logistics provider to guarantee your natural food additives are well protected throughout their journey to Europe. Discuss how your natural food additives can be protected against the common causes of damage presented above in this tip. For added security, consider if there is a business case for you to purchase goods-in-transport insurance and theft insurance.

Damage to natural food additives caused by incorrect packaging can present serious problems to you as an exporter. One major problem concerns the quality of your natural food additives deteriorating, making European buyers reject them. This could result in major losses for you as an exporter. You must therefore ensure your natural food additives are packaged correctly.

The packaging of your natural food additives must include information concerning how they should be handled, their weight and their units. The relevant labels, symbols and texts that your natural food additives must be compliant with can be found [here](#). Additionally, review the European Union Trade Helpdesk's [labelling and packaging guidance](#) that your natural food additives must be compliant with.

In recent years, European companies have been working towards [reducing their waste](#) as a means to lower their environmental impact. This is something the EU is [committed to achieving](#). Noteworthy examples include limiting the use of resource-intensive packaging materials, alongside the use of plastic packaging. You should therefore consider using plastic alternatives or other more environmentally-friendly materials.

Tips:

Find out if the importer of your natural food additives has special packaging requirements, such as volume per unit. If it does, ensure you meet them.

Ensure your natural food additives are handled, stored and transported correctly so that they are at minimal risk of damage. Do this by notifying your logistics provider.

Determine if there is a business case for you to purchase goods-in-transport insurance, which provides cover against potential business-ending risk factors. Risk factors include incorrect handling, storage and transportation, as well as contamination or theft of your natural food additives.

If your natural ingredients are hazardous and have a UN number, then use UN-approved packaging. For further information, review the [UN's Recommendations on the Transport of Dangerous Goods](#).

Use the packaging of your natural ingredients as a marketing opportunity for your business. For example, list your businesses contact details on the packaging.

6. Seek help

Exporters can receive help from government agencies, non-governmental organisations and commercial organisations when seeking to export their natural food additives. A major reason to take advantage of the help offered is that it provides you with important information on how to successfully export to the European market. This is becoming more important in an increasingly competitive market.

A second major reason for taking advantage of the help is that it is usually provided by those with experience in the food industry. A third reason is that such help is often free; this is the case if the help is provided by government agencies and non-governmental organisations.

The [Centre for the Promotion of Imports from developing countries](#) (CBI), a Dutch government agency, provides help to exporters, particularly expert training, coaching and a range of materials to help exporters access the European market. [The EU Trade Helpdesk](#), the [Import Promotion Desk](#) and [Open Trade Gate Sweden](#) are other

government agencies that help exporters. Consider taking advantage of the help they provide.

The [United Nations Conference on Trade and Development](#) (UNCTAD) is a non-governmental organisation that helps exporters in a number of developing countries reach new markets. [Adeso](#) is another non-governmental organisation that helps exporters from African countries reach new markets. Consider taking advantage of the help they provide.

The [British International Freight Association](#) (BIFA) is a trade association for UK-registered companies engaged in international logistics by all modes of transport. BIFA provides lists of its members, companies offering logistical services to exporters; consider contacting companies that meet your business needs.

Assess the companies offering logistical services listed on [Logistics France](#); see if there is a business case for you to seek their assistance. Similarly, [Global Logistics Associates](#) provides lists of companies offering logistical services to exporters; consider contacting companies that meet your business needs.

Find out if government agencies and ministries, such as ministries of trade or business in European countries you are exporting to, offer help. For example, Germany's economic development agency [Germany Trade & Invest](#) (GTAI) and the [Italian Trade Agency](#) (ITA), an Italian governmental agency, offer help to exporters. Consider taking advantage of the help they provide, which is often free.

Tips:

Review CBI's tips [for finding buyers in the European natural food additives sector](#). Doing so will help you successfully establish trade with European buyers.

Review CBI's tips [for doing business with European buyers of natural colours, flavours and thickeners](#). Doing so will provide you with valuable information on developing and maintaining relationships with European buyers.

Review CBI's guidance on [how to prepare technical data sheets, safety data sheets and sending samples for natural food additive](#). This study provides information on how you should prepare the technical data sheets and safety data sheets you need when approaching European buyers. It also provides guidance on how you should send samples of your natural food additives.

Find, contact and work with export-promotion agencies and trade chambers in the country you are exporting to and the country of origin. They will have expertise and experience helping exporters establish, develop and maintain trade in foreign countries.

7. Meet common buyer requirements

In recent years, there has been growing demand for organic ingredients from European buyers of natural food additives. A key driver behind this is increasing consumer demand for organic ingredients, a trend that is set to continue. If your natural food additives are organic, then you must provide verification documentation, such as a [Certificate of Inspection](#) proving they are organic.

A key advantage of producing organic ingredients is that organic certification is often perceived as a sign of quality. It can also help distinguish yourself from others in a competitive market, especially if you have limited trading experience and are approaching European buyers for the first time.

The EU provides an extensive range of assistance and support in several areas, from producing organic ingredients to how they can successfully enter the European market. Consider utilising the [assistance and](#)

[support offered by the EU](#). Through its partners, the [International Federation of Organic Agriculture Movements](#) (IFOAM) provides a range of assistance and support. Consider utilising the assistance and support they provide.

A second common buyer requirement of European buyers of natural ingredients is that they must be sustainably produced. A key driver of this trend is growing consumer demand for sustainable foods. Consider getting certification such as [Fairtrade](#) or [Fair for Life](#) to verify that your natural food additives are sustainably produced. Doing so can give you a competitive advantage.

Tips:

Find out what common requirements European buyers of natural food additives have. Carefully consider if you can meet them. If you cannot, do not commit yourself to meeting them, because making commitments you cannot meet can lead to the end of any trading relationship between you and European buyers.

After meeting common buyer requirements, capitalise on this. For example, state this on your company's website and marketing materials, and notify prospective European buyers when making contact.

Consider utilising the assistance and support provided by the EU and the International Federation of Organic Agriculture Movements.

Have verification documentation to prove you meet common buyer requirements readily available. This includes a Certificate of Inspection, as well as Fairtrade certification. For example, [Lewi's Organics](#) and [Aliet Green](#) both display the [EU organic logo](#), proving their natural food additive products are EU-certified organic, as they meet the EU's requirements.

Review the CBI Study on [buyer requirements](#). Here, you can find useful information about buyer requirements that will help you on your journey to accessing the European market.

8. Ensure your natural food additives are safe

Ensuring food safety is important to the European Union (EU). As an exporter looking to enter the European market, your natural food additives must be safe for use. You must therefore be compliant with the EU's [General Food Law](#), which ensures the safety of your natural food additives. Failure to comply could result in your natural food additives being refused entry into the European market.

The safety of your natural food additives is also ensured once you have evidence proving they are not contaminated, or within the limits set by the EU. Contamination can be physical, chemical or biological contamination. The EU has set [Maximum Residue Levels](#) (MRL's) for natural food additives. Use the EU's [MRL database](#) to identify the MRLs for your natural food additives, and comply with them.

Alongside the EU's legal requirements, European buyers of natural food additives regularly test products to make sure they are safe for use and uncontaminated, even after a trading relationship has been established and is developing. This is another important reason why your natural food additives must be safe for use and uncontaminated, or within set levels. If they are not, this could end business relationships.

Tips:

Ensure you are compliant with the EU's [General Food Law](#). Non-compliance will result in your natural food additives being refused entry into the European market.


Use the [Maximum Residue Levels](#) (MRL) database to identify the MRLs for your natural food additives. Comply with the levels set.

After a trading relationship has been established and is developing with European buyers, natural food additives will be tested. You must therefore ensure you continually send natural food additives that are safe and uncontaminated.


This study has been carried out on behalf of CBI by [Ecovia Intelligence](#).

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