Which trends offer opportunities on the European spices and herbs market?

The European demand for spices and herbs continues to grow. This is due to trends such as healthy living, interest in new tastes, convenience and sustainability. Thanks to high demand, leading to increasing prices and a sense of scarcity, European buyers are continuously looking for new suppliers. You can also find opportunities in smaller or niche markets focusing on special varieties, improved quality and sustainability. However, you need to comply with strict requirements for quality, food safety and traceability to enter the European market.

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1. Demand continues to increase

European imports of spices and herbs from developing countries have grown significantly in recent years, by 6.6% annually between 2013 and 2017 (see Figure 1). The global spices market is expected to grow by 5.1% between 2017 and 2021.
The European market for spices will continue to grow. However, due to the maturity of the industrial sector, the European growth is slower than in other regions according to Market Watch.

Most direct European imports come from developing countries (97% of the total imported volume). The positive market conditions therefore make it possible for you to benefit directly. Volume-driven, uniform product markets could provide opportunities, but competition is higher and margins are lower on such markets.

As a small to medium-sized enterprise, you will find good opportunities in supplying what are referred to as speciality spices and herbs that are traded in smaller volumes. It thus could be interesting to:

- supply special varieties (e.g. Mexican chillies, Tellicherry peppercorns)
- focus on product characteristics (e.g. better colour and taste)
- customise according to buyer’s preferences (e.g. very coarse grinding)
- produce sustainably (e.g. organic, fair trade).

**Tips:**

- Directly target countries that now rely mostly on other European countries for their supply (countries other than the Netherlands, Germany, the United Kingdom, France and Belgium). These countries might, however, require further processing, packaging, smaller volumes and other services.

- Focus on local or regional markets as well, such as the Asia-Pacific region. This area’s market is projected to grow at an annual rate of 7% from 2015 to 2020, the fastest-growing market for spices in the world.
2. Tight supply leads to high prices for most spices

The overall price trend in the global market for spices and herbs has been upward. The increase is mainly due to a growing demand, while production fails to keep pace. Figure 2 illustrates the general increase between 2009 and 2017.

An extreme example of this trend is vanilla. The European import prices of vanilla increased by nearly 40% annually between 2009 and 2017. This was due to production problems in the main producing country, Madagascar. The index of vanilla rocketed from 100 in 2009 to more than 1,400 in 2017. As a result, the data for vanilla were not included in Figure 2.

Looking ahead, the spices and herbs sector is challenged to meet demand. As minor crops, spices and herbs often are not very high on the agenda of local and international support institutions. Since the growers are often smallholders, they have limited capacity to expand production. Moreover, many spices require specific growing conditions and specialised knowledge to grow them. Farmers who retire are not easily replaced. New plantings of spices and herbs might not be able to satisfy the global demand and replenish low stock levels.

Industry experts expect prices to remain high or continue to rise. Nevertheless, European demand is set for further growth. Spices and herbs are minor but important ingredients that contribute little to the total cost of the food in which they are used. The demand is relatively unaffected by price changes.

For exporters and growers this means that spices and herbs offer an outstanding opportunity to invest. Investments are needed in primary production, processing capacity and quality assurance. With a stable economic outlook, the European market will provide excellent opportunities for you to increase profitability and invest in your own company.

Moreover, managing risk is crucial in the spices and herbs business. Many farmers and exporters therefore focus on more than a single commodity. In case the price development of one spice or herb is doing badly, your other spices and herbs can make up for the losses.
Tips:

- Keep yourself up to date on the prices and the global supply situation of your spice(s). This will help you determine your competitive position and find the right moment to sell.

- Make sure that you have a good overview of short-term and long-term price developments as well.

- See ITC’s Market Insider, Nedspice, Zobian and Public Ledger (paid service) for crop and price reports.

- Use sector experts in your network to complement price information.

- See our fact sheets for more product-specific prices and sources, as well as information on price developments. For example, you can consult our fact sheets on cinnamon, cardamom, pepper, vanilla, dried ginger, chillies or cloves.

- See our study of Exporting vanilla to Europe for more information about the import price fluctuations on the vanilla market.

3. Growing popularity of ethnic food

Ethnic flavours and foods continue to appear in top food trends. In Europe, this is mainly due to the growing multicultural population as well as the fact that Europeans are more interested in exotic cuisines.

Spices are gaining in popularity: the consumption of turmeric and coriander seeds is a particular result of this trend. Turmeric is increasingly consumed because of the taste and because of its health benefits. Coriander seeds are increasingly applied in new forms of uses, for example in smoothies. What is interesting about these spices, is that they are popular in Asian cooking as well as in the Middle East.

At this moment, the following tastes are especially popular:

- Chinese (pepper, ginger, anise)
- Indian food (curry, chillies, cardamom, coriander)
- Flavours of Thai food (cassia, cinnamon, cloves, nutmeg)
- Vietnamese cuisine (ginger, chillies, fennel, pepper)
- Mexican food (chillies, cumin, oregano, coriander).

The ongoing search for new tastes by cooks, food manufacturers and consumers will ensure that the market for spices and herbs will continue to grow in the future. This situation is the case on western European markets as well as in regions such as southern and eastern Europe, where the demand for ethnic food is currently still small.

Especially the smaller food processors, retailers and brands specialised in ethnic food that have strong forces on the growing market for ethnic food. However, larger retailers and multinationals are also increasingly active on this market.

The size and composition of ethnic communities differ strongly by country, so opportunities will also be different. For instance, within western Europe, there are large differences between:

- the United Kingdom (Indian, Pakistani and Bangladeshi)
- the Netherlands (Indonesian, Turkish and Moroccan)
- Germany (Turkish, Iranian, Syrian)
It is also important to realise that ethnic food tastes vary by region, country and even buyer. Indian food in the United Kingdom tastes different from that in Germany and uses different ingredients and mixes.

**Tips:**

- Note that the demand for specific spices and herbs differs by country. When selling spice mixes, you might have to adjust your product to the region or even the buyer to whom you are selling. See our study on Exporting value-added spices and herbs to Europe and other fact sheets such as pepper, dried ginger, cloves or nutmeg for more information.

- If you want to learn more about the European market for ethnic food, please see the following paid studies by Market Research and Mintel.

- See the McCormick Flavour Forecast 2018 for more information on the latest global trends in taste.

- There are specific trade fairs for ethnic food in Europe. Ethnic Food Europe is a good example.

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4. Clean labels and proteins fitting well in the health trend

Healthy living is one of the most important trends in Europe. Unhealthy food ingredients such as salt, sugar and synthetic additives, are increasingly being replaced by natural ingredients, such as spices and herbs. Examples are what Unilever and Schwartz are doing in ‘improving nutrition’ and ‘reduced salt’.

Because of the healthy living trend, consumers want to know exactly what they eat. They expect clear labels on the products that they buy, indicating the exact ingredients. Hence, allergen-free and gluten-free labelling are gaining popularity on the spices and herbs market.

Norms on allergens have not yet been standardised. Laboratories use different limits and testing methods. Results can therefore differ per laboratory. If you are considering organising allergen testing yourself, remember that your buyers often will expect you to work with the same laboratory as they do. This will enable you and your buyer to be tested according to the same methods, and hence obtaining matching test results.

There is also a growing demand for gluten-free spices and herbs. It is difficult for spices and herbs to be labelled as such, because there is a big risk of cross-contamination and residues. When grains are grown on a nearby field, or when the same processing plant is used for different products, the chance of contamination is almost inevitable.

Another important health trend in Europe is the intake of various protein products as an alternative to meat consumption. This trend is caused by a decreasing consumption of meat in Europe (see this article on meat consumption in Europe for more information). Spices and herbs play an important role in this because they can help imitate the taste of meat.

**Tips:**

- Target buyers in the growing healthy living, vegetarian and meat substitute segments, or develop products and ingredients to be sold on these markets. This strategy requires substantial product and market development, so work closely with buyers and sellers. Determine whether you can also service your local market with these products.

- Ask buyers for their recipes or look at recipes that are already on the market. Be aware
that the price of salt is significantly lower than most ingredients. As a result, the cost price of your product might increase when substituting salt with spices and herbs.

- Talk to buyers and visit trade fairs to obtain more information about the vegetarian food market. Veggie World is a European trade fair specifically aimed at this market.
- Refer to the database of the Dutch blender Verstegen for ideas on vegetarian and vegetable spice mixes.
- Allergen-free spices and herbs can be an interesting niche market. Several companies are already active in this market segment, such as Dutch Spices and EHL Ingredients.
- Check the website of the Food Standards Agency in the United Kingdom to learn more about up-to-date labelling standards; for example, regarding gluten-free labelling.

5. Organic market for spices and herbs

The organic market for spices and herbs is growing and is expected to continue to grow in the future. This growth is mainly driven by consumer preference for a healthy lifestyle and its associated correlation with organic food. A second reason is the growing demand of food manufacturing companies, who use the organic label to distinguish their products in a competitive market.

Organically produced spices and herbs do not automatically mean that the products meet all requirements. Something can be organically grown, but still contain residues, and will not be accepted on the organic market. Make sure to meet all requirements set for spices and herbs as well.

The requirement for labelling foodstuffs as organic is that 95% of its ingredients are organic. In reality, the other 5% should be organic as well, unless you can demonstrate that an organic alternative for specific ingredients is difficult to obtain. An example for this is vanilla.

Tips:
- Want to learn more about the market for organic spices? Check the website of Cision PR Newswire for more information.
- For more information, see our study on Exporting value-added spices and herbs.

6. European consumers are looking for convenience

The demand for easy-to-prepare and ready-cooked meals is increasing in Europe. European consumers are spending less and less time on preparing meals due to their busy schedules, while the number of single households is increasing.

Easy-to-prepare and ready-cooked meals stimulate demand for spices and herbs in two ways. Firstly, they rely on spices and herbs to retain and enhance food flavour (e.g. ready-to-use spices and herbs, seasonings and condiments). In addition, these convenience products increase the demand for processed spices and herbs (see Figure 3), such as crushed and ground spices and herbs, and spice and herb mixtures.

For you as an exporter in an origin country, the growing market for processed spices and herbs
provides opportunities. Grinding and crushing is already taking place on a large scale in developing countries, thanks to improved processing facilities and detection techniques.

**Figure 3: European imports of crushed and grounded spices and herbs from developing countries 2013–2017**

in tonnes

![Graph showing growing European imports of crushed and grounded spices and herbs from developing countries from 2014 to 2017.](image)

The market for spice and herb mixtures is also growing. In 2017, about 11% of European imports of spice and herb mixtures was sourced directly from developing countries. Since 2013, this supply from developing countries grew annually by 6.3%.

However, the market for mixtures and crushed and ground spices and herbs remains small, and European processors are strong competitors. Therefore, your best chance is selling to buyers who are specifically interested in specialised ethnic food which is processed and/or packed in the country of origin.

**Tips:**
- Only consider crushing, grinding, blending and packing after you have taken value-adding steps such as cleaning and improving quality. The latter types of added value are easier to achieve, require less financial investment and earn you an interesting premium (usually around 5%).
- For more information, see our study on [Exporting value-added spices and herbs](#).

7 . Importance of sustainability continues to grow

European buyers are paying more and more attention to their responsibility for the social and environmental impact of their activities. Sustainability used to be an issue for niche markets (of organic and fair-trade certified products), but it is now high on the agenda for the entire sector.

The most important European players are collectively working on making the spices and herbs supply chain more sustainable. One example is the [Sustainable Spice Initiative](#), with members such as [Unilever](#), [Olam](#) and [Verstegen](#).
The sustainable segment provides excellent opportunities for small and medium-sized exporters to distinguish themselves. Whether you are successful depends on your approach, ambition and level of professionalism. It takes significant effort over a long period of time to be successful on this market. Nevertheless, small steps can already be taken towards a more sustainable approach. Refer to the tips below for more information.

It is important to realise that sustainability is still developing within the spices and herbs sector. Issues that would have given you a competitive advantage a few years ago are now considered common. Opportunities shift and it is important to move along with developments.

**Tips:**

- If you want to become more sustainable, start by addressing the most important issues mentioned above. From there on, look at more strategic choices. Determine with which core values you want to work (e.g. social, environmental or both).

- Monitoring your performance on sustainability through audits, verification or self-verification is a way to be rewarded for your efforts, either by opening up new markets and/or by receiving a price premium.

- Sustainability can provide opportunities for you locally as well as regionally, since sustainability is becoming more important all around the world. The quicker you move onto the market for sustainable products, the larger your competitive advantage will be.

- For more information on certification (like Fairtrade, organic and Rainforest Alliance), read our study about [Exporting sustainable spices and herbs to Europe](#).

- See our study of [Buyer requirements in Europe](#) for spices and herbs for more information on certification and other related topics.

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**8. European buyers move closer to the origin countries**

European buyers are moving closer to the source of supplies in order to better control the supply chain and make it more traceable and make sure that the strict European requirements are met. This also enables them to avoid middlemen that add no value.

One of the consequences of buyers moving closer to origin countries is that European buyers are more willing to invest in long-term and close relationships with reliable suppliers. This also means that buyers are becoming more willing to invest in value addition in the countries of origin. This can provide interesting and long-lasting opportunities for you as an exporter.

**Tips:**

- Invest in quality and food safety. As requirements on the European market and your local market are becoming stricter, strive towards continuous improvements.

- Work together closely with both your buyers and suppliers. Look for European companies that can help to invest in the training and certification of farmers.

- See our study of [Buyer requirements in Europe for spices and herbs](#) for more information.
9. Value addition in the countries of origin

European buyers are becoming more interested in local value addition through further processing and testing of the products.

In terms of costs, it can be more efficient to process spices and herbs in processing plants in origin countries. Especially steam sterilisation of spices and herbs can bring opportunities when done in origin countries. If you are able to offer this treatment at the source, you can earn a small premium.

For European buyers it is also very convenient when suppliers already have a connection with a European laboratory for testing of the spices and herbs. Every container or batch needs to have a certificate of analysis. Many European buyers will be willing to carry out the first tests and educate you in carrying out their own tests, but it is expected that you will eventually take care of this.

Tips:

- It is important for you to maintain a good relationship with your buyers based on trust and performance. If you can prove that you can perform value-adding activities, you can also suggest taking an extra step in processing.

- Ensure that you continue to add value in your supply chain by working together with other exporters and farmers in your region. It is very interesting for buyers if you can organise farmers and ensure their compliance with buyer requirements. It might also be hard for you to supply a full container (minimum order size), but this situation could be possible when working together. Further areas of collaboration include collection, quality testing, storage and transport.

- Keep in mind that mycotoxins and other contaminants are insensitive to sterilisation. Make sure that you check for these contaminants in all steps of the chain.

- Investments in steam sterilisation are expensive; small operators with limited access to capital will probably have to find an alternative solution. Look for local sterilisation companies that are able to provide this service for you.

A downside of steam sterilisation is that it has a negative effect on the volatile oil content of spices and herbs, and hence the flavour of the ingredient. European buyers would switch to other methods if they were equally safe, acceptable to consumers and not too expensive. At the moment, there are no alternatives to steam sterilisation that meet these requirements. However, research is being done, including the project commissioned by the European Union to GreenFooDec. Keep yourself up to date on these developments.

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