



CBI Product Factsheet: Consumer-packed spices & herbs in the EU

'Practical market insights for your product'

This CBI Product Fact Sheet provides you with patterns and trends in the EU market for consumer packed spices and herb (CPSHs) and gives concrete suggestions to exporters in developing countries (DCs) on how to respond to and benefit from these developments.

The market for CPSHs is quite difficult to enter. It requires substantial investments in processing and packing facilities. Moreover, even if you are able to deliver a high quality packed product, you are facing vigorous competition from local EU consumer packers, brand owners, and private labels. There are some opportunities in certain segments and niches for those suppliers that are able to meet the high demands in the EU. Suppliers that already have experience in supplying spices and herbs to the EU market and that are successful in supplying their domestic market with similar products have the best opportunities for being successful. Regardless of your chances of supplying the EU market with CPSHs, this fact sheet will provide you with valuable information about one of the larger segments in the market, the retail sector.

Product definition

CPSHs are spices and herbs that are fully processed and packed for the retail sector. It can consist of 1) whole spices and herbs, 2) crushed or ground, and 3) mixtures of spice and herbs. Refer to the CBI's fact sheets on individual and value-added spices and herbs for more information about the market for bulk products.



The statistical data in this document are based on Combined Nomenclature (CN) codes. The CN uses Harmonised System (HS) codes to classify products. There is no specific HS-code for retail-packed spices and herbs. They fall under various product codes of the individual spice and herbs. Moreover, the HS-code concerns almost exclusively spices and not herbs (with the exception of thyme). To gain some insight into the market of *value-added spices and herbs*, some statistical information about related products (e.g. grinding, crushed, and mixtures) is provided under the header *Trade and Macro-Economic Statistics*. These value-added products are listed in the table below. Information from other primary and secondary sources has been used to provide specific information on the CPSH market.

HS Code	Description
09041200	Pepper of the genus piper, crushed or ground
09042200	Fruits of the genus capsicum or of the genus pimenta, crushed or ground
09052000	Vanilla, crushed or ground
09062000	Crushed or ground cinnamon and cinnamon-tree flowers
09072000	Cloves, whole fruit, cloves and stems, crushed or ground
09081200	Nutmeg, crushed or ground
09082200	Mace, crushed or ground
09083200	Cardamoms, crushed or ground
09092200	Coriander seeds, crushed or ground
09093200	Cumin seeds, crushed or ground
09096200	Juniper berries and seeds of anise, badian, caraway or fennel, crushed or ground
09101200	Ginger, crushed or ground
09102090	Crushed or ground saffron
09109105	Curry mixtures
09109110	Mixtures of different types of spices (excl. crushed or ground)
09109190	Crushed or ground mixtures of different types of spices (excluding curry mixtures)
09109939	Crushed or ground thyme
09109999	Spices, crushed or ground not elsewhere specified

Production specification

Product quality

Product quality is a key issue for buyers in the EU and includes food safety as well as product quality. The [European Spice Association](#) (ESA) has published the [Quality Minima Document](#). This document is leading for the national spice associations affiliated with the ESA and therefore for most key players in the EU. It specifies the legal EU requirements for *unprocessed* spices (excluding consumer-packed, crushed/ground spices, mixtures, and herbs and those treated for microbial reduction) as well as the terms of delivery between buyer and seller that are not laid down in legislation. The document can be used to understand which chemical and physical parameters unprocessed spice or herb in a mixture needs to comply with when sold in the EU.

For ground spices, parameters for saffron, turmeric, and galangal are included in the ESA document. For other ground spices, the International Standard Organisation (ISO) provides [general guidelines](#) on chemical and physical parameters for whole and ground spices and herbs that come closest to internationally agreed upon standards. The ISO-standards are not freely available and have to be purchased. Ask your buyers what specification they work with.

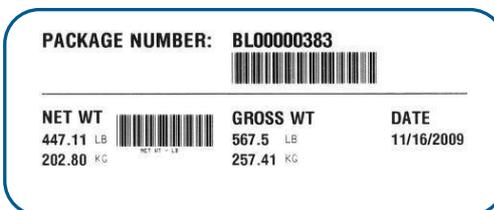
It is hard to determine the quality of ground and packed spices and herbs. Therefore buyers often prefer to have the grinding and packaging done in their own country or another 'trustworthy' EU country.

It is important to note that quality requirements in Western and Northern European countries (especially the UK, the Netherlands, Germany, and Denmark) can be stricter than in other parts of Europe and can exceed legal requirements (see under section 'Non-legislative requirements'). It is also important to realise that quality demands can differ per country, segment, and even buyer. Therefore, ask your buyers about their specific quality requirements.

Product labelling

Legal requirements for consumer labelling are laid down in EU Regulations (see under section 'Legal requirements'). Correct labelling is important for European buyers. Pay therefore extra attention to labelling your product. For bulk products, the following items should appear on the external packaging:

- Name under which it is sold
- The date of durability/ use-by-date
- The name of manufacturer and any information that exporting and importing countries might ask: bar-, producer and/or packer code, all extra information that can be used to trace the product back to its origin



The following elements should appear in the commercial documents:

- Name of ingredients used in the product in descending order of composition by weight
- Net quantity of pre-packaged in kilogram or gram
- Place of origin
- Lot/batch number

Packaging

The most common consumer packaging for spices and herbs ranges between 5-100 gram, but they can reach up to 2 kilogram as sold in the ethnic stores. Packaging should not only be functional (e.g. protect products from infestation, spoilage, quality loss), but also enhance the sales appeal of the product you are selling and should therefore be of high quality. The type of packaging used largely depends on the product you are selling. The following types of packaging are widely used:

<p>Glass bottles of various sizes and shapes with labels and with metal or plastic caps. The plastic caps have inbuilt features of tamper evidence, dispensing, grinding etc. These glass bottles are popular in the high-end market; for whole and crushed spices and herbs and mixtures thereof.</p>	
<p>Printed plastic flexible pouches: The printed flexible pouches are popular due to their easy availability, excellent printability, light weight, machinability, and cost-effectiveness. Plastics are preferred due to their properties such as light weight, easy availability, compatibility, hygienic nature, machineability, printability, heat sealability, and selective barrier properties. Polyester and BOPP based laminates are especially popular for packaging of spices.</p>	
<p>Printed tinplate containers with or without dispensing systems.</p>	
<p>Plastic and composite containers with plugs and caps with dispensing and tamper evidence features.</p>	

Lined cartons.



Please note that the volatile oil present in the spice product has a tendency to react with the inner layer of the plastic flexible packaging material. This can lead to a greasy and messy package and can smudge the printed matter on the outside of the packaging. This applies especially to the spice powders turmeric, chilli, ginger, and pepper, as well as spice mixes containing these spices. For these products, it is best to avoid the use of low-density polyethylene as the heat sealant or the food contact layer. The better option for a sealant or contact layer could be co-extruded film of LD-HDPE (with HDPE in contact with the product) or cast polypropylene. Alternatively, ionomer (surlyn) or EAA (primacor) can also be considered as the sealant layers.

Legislative requirements

When supplying consumer-packed spices and herbs, you are fully responsible for all aspects of the consumer product (e.g. compliance with EU legislation, correct packaging, and possibly branding and marketing). It is therefore crucial to fully understand all buyer requirements. Only consider exporting to the EU when you are able to comply.

Non-product-specific legislation: There is a large amount of legislation that applies to all (food) products that are imported into the EU. These general requirements include various food and packaging laws. See considerations for action.

Food safety and hygiene: This is a particularly important issue in the EU. Buyers will want you to comply with the continuously increasing food safety requirements. Food safety issues concern the individual ingredients of the mixture (microbiological contamination, mould, maximum residues levels, and pesticides). Contamination of aflatoxin is a risk for many spices (e.g. chillies, cloves, nutmeg, and turmeric). Specific requirements regarding the maximum level of aflatoxins are laid down in [Regulation \(EC\) No. 1881/2006](#) (see Annex 2.1.9.). Adhering to requirements of HACCP (Hazard Analysis and Critical Control Points) is also a crucial market access requirement for many buyers of spices and herbs. EU buyers will often ask buyers to implement a food (safety) management system to prove that they comply with the requirements.

Control of food imported to the EU: Your products will be subjected to official controls that

Considerations for action

- See the CBI's document for more information:
 - General: [Liability for defective products](#);
 - Food: [General food law](#), [Food control](#) and [Food contact materials](#);
 - Packaging: [Packaging and packaging waste](#) and [Wood packaging materials for transport](#).
- Refer to the [Quality Minima Document](#) for legal requirements and non-legal requirements. To understand the requirement, read CBI's documents. [Contaminants in food](#), [Maximum Residue Levels \(MRLs\) of pesticides in food](#), and the [Microbiological contamination of food](#).
- Contaminants are often caused by sun drying in open fields and poor storage conditions. Discuss better drying and storage practices with your suppliers. Refer to the guidelines on [Good Agricultural Practices for spices](#) (IOSTA) and [Good Manufacturing Practices for spices](#) (IPC) for more information.
- Potential clients will require extensive testing of the product and an in-depth evaluation of the company and its food safety and quality systems.
- See the CBI document [Hygiene of food \(HACCP\)](#).
- Read more about [health control](#) in the EU Export Helpdesk. Check if there is any

are carried out to ensure that all foods marketed in the EU market are safe. Controls can be carried out at all stages of import and marketing in the EU but are mostly done at the points of entry in the EU. Due to food safety concerns, some spices and herbs (e.g. capsicums, ginger, nutmeg, curry powder) from countries repeatedly showed non-compliance (e.g. India, Indonesia) are subject to an increased level of official controls. EU importers will have to give national authorities prior notification before importing and listed spices and herbs are only allowed to enter the EU through designated ports and airports.

Food additives: Some spices, herbs, and mixtures thereof may contain colourings, flavourings or sweeteners. Many of the products rejected by customs authorities or buyers have undeclared, unauthorised or excessive proportions of extraneous materials (e.g. colourants and flavourings). Especially ground spices and herbs and mixtures thereof with illegal artificial colourants (azo dyes Sudan I, butter yellow) are often rejected and destroyed by EU customs authorities. Although these may be approved by the food authority in the country of origin, some of them may not be approved in the EU.

Irradiation of food: Irradiation of spices & aromatic herbs is allowed by law, but often not recommended by buyers. It is a safe method to kill organisms and is less damaging to the taste of spices than steam sterilisation. Consumers, and therefore your buyers, generally prefer non-irradiated products.

Consumer labelling: Pre-packed spices and herbs will have to adhere to strict EU labelling requirements. In addition to the general requirements, these concern nutrition and allergens. If nutrition or health claims are made, these have to be approved in advance by the [European Food Safety Agency](#) (EFSA).

Food supplements: Spices and herbs are sometimes used as a dietary supplement as they suppress appetite and help in burning calories. They are also used for the production of oil resin for food and pharmaceutical products. These constitute interesting markets, but they are subject to specific requirements that are not fully harmonised within the European Union.

Non-legislative requirements

Sustainability

Sustainable business requires the reconciliation of the "three pillars": environmental, social equity, and economic demands

increased level of control for your product. The list of spice and herbs and their supplying countries is updated regularly. Check the Annex of [Regulation \(EC\) 669/2009](#) for the most recent list (see under *Amended by*).

- Familiarise yourself with the procedures. Failure to follow the right procedures could cause a decrease in and a delay of orders, increase costs, and result in actions by EU enforcement authorities.
- See the CBI document [European buyer requirements: natural colours, flavours and thickeners](#) and [EU legislation: Additives, enzymes and flavourings in food](#).
- For more information on specific product legislation, see the website of the [EU Export Helpdesk](#).
- If you use additives, make sure you mention them in the list of ingredients.
- See the CBI document [Irradiation of food](#).
- If you irradiate your spices and herbs, you will have to label the products as such.
- For more information, refer to the CBI document on [Food labelling](#) and [Nutrition and health claims on food](#).
- When providing pre-packed products, good professional packaging is a must. The design and feel of the products are just as essential as the quality of the packaging materials. Find out what EU consumers are looking for by talking to potential buyers.
- Refer to the CBI's document on [Food supplements](#) or [Vegetable oils and fats](#) for more information on the specific requirements in this market.

Considerations for action

- See the CBI's documents [Sustainability in Spices and Herbs](#), [Organic production and labelling](#), and

Certification



The practical elaboration of sustainability in the spice and herb chain is also becoming increasingly important in many segments of the markets. A few years ago, organic spices and herbs were introduced in the EU market. Currently, organic, [Fair Trade](#) and [Rainforest Alliance](#) (RA) certified spices and herbs are available in the EU market. The term 'organic' refers to land use and inputs. Fair Trade is specifically focussed on improving the living conditions of farmers in DCs, while RA is a mainstream sustainability scheme with a specific focus on the environment. The potential benefits of operating sustainably include increased yields, improved quality, higher prices, and better relations with buyer and suppliers.

Industry codes



In business organisations, sustainability is generally translated in a Corporate Social Responsibility (CSR) policy. Companies often have their own CSR policies, codes of conduct or projects that deal with social and environmental issues. Besides the individual company codes, there are overall company codes that the industry uses to guarantee and communicate their social compliance. [BSCI](#) and [SA 8000](#) are the most common.

Sector initiatives



In 2010, the [Sustainable Spice Initiative](#) was founded by a consortium of leading players in the EU spices market (Nedspice, Euroma, Intertaste, Verstegen, Unispices, Cassia Co-op, McCormick), together with civil society organisations. SSI is also a significant driver behind RA certification projects in several producing countries (e.g. Indonesia, Vietnam).



Food management and traceability: With the growing attention to food safety, food management systems play a crucial role. There are a large number of different systems with their own scope and relevancy. [IFC](#), [BRC](#), and [ISO 22000](#) are the most widely used food management systems in the Netherlands and are based on HACCP-principles.



Quality: Having your organisation [ISO 9001](#)-certified can be a good way to convince your buyers that you are taking quality seriously. Not all buyers will care about you being ISO 9001-certified as long as you adhere to the minimum quality of the ESA.

[Occupational health and safety in the spices and herbs sector.](#)

- See [CBI policy on International Corporate Social Responsibility](#) to get an overview of CBI's interpretation of CSR.
- Sustainability-related certification is an important tool to show your approach towards sustainability. Depending on your buyers (CSR strategy) and your own focus (e.g. social and/or environmental issues), there are different standards and labels available. Also, consider double or triple certification to become even more flexible on this market, which is expected to grow. Research what targets have been communicated about sustainable-certified spices: see SSI and individual company websites.
- Sustainability-related product certification should only be considered in relation to the final consumer and throughout the whole supply chain, e.g. in contact with the relevant trader/ producer or retailer.
- See SSI and the [report](#) entitled 'Could you pass me the sustainable pepper?' for more background information on sustainability issues in the spice and herb chains.
- Go to the CBI document [Food Safety Management Systems](#) or [Traceability of food](#) to learn more about the different systems.
- Check with your buyers to see whether they attach value to ISO 90001.
- To learn more about this topic, read the CBI's document on [ISO 9001](#).

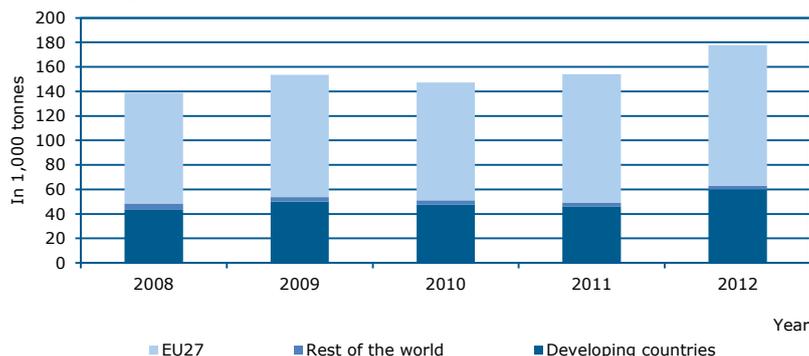
Trade and Macro-Economic Statistics

Please note that there is no specific statistical information about CPSHs. It is however possible to provide statistical information about related markets and quantitative information on the CPSH market.

Imports

In this section, different definitions of imports are used. The term *total imports* includes all imports including intra-EU trade. As intra-EU trade is common in the EU, there is a large difference between total imports and other definitions of imports. Imports from DCs are called *direct imports from DCs*.

Figure 1: Imports of value added spices and herbs, 2008-2012, in 1,000 tonnes



Source: Eurostat, 2013

Most important developments

- In 2012, total imports of value added spices and herbs¹ accounted for 152 thousand tonnes worth € 558 million. The volume of imports grew by an average of 2.5% per year between 2008 and 2012. The value of total imports however increased by 7.1% during this period. This implies that the price of value-added products has increased significantly in recent years. This is largely owing to the price increase of individual spice and herbs due to growing global demand, more price speculation, and reduced availability.
- In 2012, the supplier countries from where the most value-added products were imported were Asian countries: India (10% of EU imports), China (8.4%), Vietnam (4.2%), and Indonesia (2.2%).
- Whole spice mixtures are often sold in disposable spice mills in the high-end consumer market. It is therefore interesting to look at the development of this market. In 2012, imports of whole spice mixtures amounted to 5.3 thousand tonnes worth € 26 million. Imports increased by 8.5% per year between 2008 and 2012. The value of imports increased by 7.7%. In 2012, the market share of DCs was only 4.8% in this market and dropped by 2.4% compared to 2008. Although the market share of DCs dropped, there were some countries that have performed well in this market: India (+12% per year growth of imports between 2008 and 2012), Vietnam (+13%), and

Considerations for action

- Keep updated on prices. [Spices Board India](#) publishes weekly and monthly prices (Indian as well as international prices) of a large number of spices (e.g. pepper chillies, ginger, cardamom etc.).
- Consumer packing should only be considered as the last value-adding step after excellent cleanliness, quality, and sterilisation and possibly grinding and blending. Not only can these ways of adding value earn you a good premium (usually around 5%), it is also likely easier to be successful with these types of value addition.
- Trust in the capabilities of their suppliers is crucial for potential buyers. Take away concerns by providing references, credentials, and any other assurance that shows that you fully understand and have experience with complying with requirements on the EU market.
- Because opportunities are generally only found in the niche markets, it will be hard to supply the large quantities that are needed to remain profitable. Therefore, it is advised to focus on a larger region instead of individual countries. In addition, CPSHs should be complementary to a wider product assortment and supplying your local market.

¹ Refer to the section *Product specification* for more information about the definition of value-added spices and herbs.

- South Africa (+32%).
- Another market to look at is that of curry mixtures. Part of these imports is consumer-packed and sold in the Indian or more general Asian food retail shops in the EU. In 2012, imports of curry mixtures amounted to 6 thousand tonnes worth € 20 million. 60% of EU imports come directly from DCs, of which 50% from India. The reason for the dominance of India is that all the ingredients are sourced within the same country of origin or nearby and curry is native to India. Best opportunities therefore exist for CPSHs that consist of spices and herbs that can be locally sourced in DCs, can be sold in ethnic trade channels, and are popular (see under *Trends*) in the EU.
- All the industry experts interviewed for the purpose of this study stated that many of the companies in DCs lack the sophistication and professionalism needed to supply the EU market with CPSHs. In addition, the gap between the suppliers in a DC and the retail market is too large. Many do not see this changing in the near future but did indicate some opportunities in niche markets (see under *Opportunities for suppliers of CPSHs*).
- [Laziza](#) (Pakistan) and [Mangal](#) (India) are two brands that have successfully entered the EU market with CPSH. Refer to their website to learn more about their company and product range.

Production

Most important developments

- The EU is a small grower of spices and herbs. In 2011, 113 tonnes were produced in the EU, including dried chillies and peppers (60% of produced volume), anise, badian, fennel, coriander (36%), and other spices (3.8%) (Source: FAOSTAT, 2013). Although figures are missing, it is known that other herbs are also produced in the EU: for example parsley, basil, bay leaves, coriander, fennel, juniper, oregano, and thyme.
- The EU processing industry does however add value to imported spices and herbs through processing (e.g. cleaning, sterilising, grinding, and blending) and packing. In 2011, the 77 spice processing and refining firms that are members of the German Spice Association accounted for a turnover of € 337 million (Source: [Association of German Spice Industry](#), 2012). Although statistics are missing for other countries, it should be taken into account that local processors are a main source of competition in the CPSH market.
- EU processors produce under their own brand or for private labels. Their knowledge of their domestic market regarding taste preferences of consumers and buyer requirements and their proximity to and close relationship with their buyers gives them a serious competitive advantage. Processors are also large buyers of whole,
- Explore opportunities to work together with EU processors, especially those in the Netherlands, Germany, and Spain that have the size and resources to invest. This could be a good way to attract capital destined for investments in processing facilities. Find EU processors in the member lists of the national spice association in the EU. Refer

crushed, and ground spices and herbs from suppliers in DCs. When supplying CPSHs, they are an important source of competition. In this market, the only way of working together with them is through contract manufacturing. Many will refrain from doing this, as they do not want to give up their market position and lose control over part of their process.

Consumption

Most important developments

- Between 2008 and 2011, EU consumption of spices and herbs grew by 9.3% per year. Growth is expected to have been especially prominent in the retail sector. Industry experts state that the economic crisis did not slow down the demand for spice and herbs. A direct result of the economic crisis is that there is a shift from restaurant visits to home cooking (retail channels). This has benefitted the demand for CPSHs considerably.
- Until 2020, the demand in the EU for food and drink products is expected to stabilise in the Western EU countries. Growth is expected in the Eastern EU countries where total food consumption is expected to increase by 31% in 2021 compared to the level of 2000 (Source: [Deloitte](#), 2012). The demand for spices and herbs is therefore expected to continue to be strong, especially for products that meet the demand for convenience, like spice and herb mixtures. Convenience is an important driver of innovation in EU food sector (Source: [XTC World Innovation Panorama, 2011](#)).

Market Trends

Social market drivers

- **Ethnic food:** In the EU, there are sizeable ethnic communities: for example in the UK (mainly Indian, Pakistani, and Bangladeshi), the Netherlands (Indonesian, Moroccan), Germany (Turkish), and France (Algerian and other communities from French-speaking Africa). The ethnic communities often use traditional spices and herbs from their country of origin. But non-ethnic community consumers also use more ethnic processed spices and herbs. They are also increasingly used beyond their traditional applications, incorporating flavours into EU cuisine. Flavours from the Mexican, Moroccan, and Thai cuisine are becoming more popular.
- **Healthy lifestyles:** Healthy lifestyles are leading to an increased use of spices for natural flavouring. In large parts of the EU,

to the member section of [European Spice Association](#) (ESA) for an overview of associations.

Considerations for action

- Refer to the CBI's document [Trade Watch Spices and Herbs](#) for more information about the development of EU consumption.

Considerations for action

- Refer to the [CBI's document Trendmapping](#) for more information on trends in the spices & herbs market.
- It is crucial for buyers that the products that they buy are according to their specifications and remain uniform over time.
- You will have to account for this changing market environment and look for alternatives for salt if you want to enter this

a relatively large segment of the market is turning towards more healthy food. There seems to be a growing market for salt-free or reduced-salt food with less chemical additives. Several large food processors have set far-reaching salt-reduction goals. For example, [Unilever](#) in the Netherlands is changing recipes and formulas to reduce the salt-intake of their customers for a large part by using herbs and spices instead. This trend will therefore have a positive influence on the demand for spices and herbs. There are already spice brands, like [Schwartz](#) in the UK, that are offering salt-free or salt-reduced spices and herbs mixtures.

- **Changing eating habits:** Changing eating habits indicate that convenience and prepared food are becoming more popular. These products often rely on spices and herbs to retain and enhance their flavour and colour. As a result, the demand for processed spices and herbs is likely to increase.

Technological market drivers

- **Steam sterilisation:** EU buyers are increasingly asking for steam sterilised spices and herbs. This is especially important in the market for CPSHs for large retail chains that tend to go further with food safety than smaller retail outlets. The fact that it is impossible to treat microbiological contamination once the product is packed results in the responsibility for steam sterilisation resting with the consumer packers. Steam sterilisation is an important way to combat microbiological contamination and is increasingly asked for by EU buyers. Investments in sterilisation equipment can be very high (up to € 1 million). Small operators with limited access to capital will likely have to find an alternative solution. An important downside of steam sterilisation is that it alters the composition of the spice by exposing it to high temperatures. This exposure especially affects the volatile oils that produce the flavour.
- **Modern packaging:** The advancement of mobile technology has also affected the way products are packed. Website links and QR-codes can be attached to the packaging to provide more information about the product. This goes well with the trend to provide more information about the story behind the product (e.g. history, country of origin, farmer that produces it, recipes).
- **Detection fuels demand:** The advancement of detection equipment (e.g. for adulteration, using foreign matter, microbiological contamination) has led to the increased outsourcing of processing of spices and herbs. It is still not enough for EU buyers to switch to sourcing packed

market for healthier products. Be aware that the prices of mixtures are likely to increase when substituting low-priced salt with spices and herbs. Another option is using low-sodium salt.

- Find out more about salt reduction by using spices and herbs by reading a [study](#) by Harvard School of Public Health. For ideas on how to reduce the salt in various spice and herb mixtures, refer to the website of [Food.com](#). Also, ask potential buyers for specifications.

- If investing in steam sterilisation is not possible, look for local sterilisation companies that are able to provide this service for you.
- Investments in new processing techniques are not always necessary. To improve the quality of the product, small improvements in basic processing (e.g. drying) can already lead to a significant increase in quality. In turn, help your suppliers with these practices. The [briefs](#) of Practical Action provide basic advice on drying and processing of different spices. Other valuable sources are the guidelines on [Good Agricultural Practices for spices](#) (IOSTA) and [Good Manufacturing Practices for spices](#) (IPC).

products from DCs.

Economic market drivers

- **Scarcity:** It is becoming more challenging for EU buyers to source spices and herbs. Reasons include the increased demand from emerging nations (e.g. China, India) and the pressure on production of spices and herbs in countries of origin (switch to other cash crops, discontinuation of production due to low prices at farm gate). Retailers cannot risk “no stock” situations. Therefore, they prefer not to rely on suppliers from outside the EU for their markets.

Environmental market drivers

- **Sustainability on the rise:** Sustainable sourcing is becoming increasingly important in several EU countries, especially the UK, the Netherlands, Germany, and Denmark. There are already different spices and herbs on the market that are both certified organic, Fair trade, and organic/Fair Trade. For suppliers of CPSHs, there are some opportunities in supplying Fair Trade (possibly with organic certification) to the EU market. Although sustainable spices and herbs are still a niche and the economic crisis can be a barrier for purchase, long-term development is anticipated to remain positive. EU buyers expect sustainable products to be of high quality.
- **Sustainable packaging:** Sustainability does not only apply to the product itself but also its packaging, especially when active in the sustainable spices and herbs market (see previous point). There are several examples on how to pack sustainably: 1) find more sustainable alternatives for polluting materials (e.g. polyvinyl chloride (PVC), polyurethane (PU), polystyrene (PS)); 2) using sustainable packaging material, this can range from using biodegradable and compostable packaging to FSC-certified wooden pepper mills with sustainable pepper; 3) use a functional design to improve shelf-life and reduce spillage.

Political market drivers

- **EU legislation:** The European legislation regarding food safety requirements (e.g. pesticides, mycotoxins, and microbiological) is becoming stricter. Especially microbiological contamination is an important issue as it is hard and costly to detect and clean for CPSHs.
- **Allergens packaging:** In December 2014, [Regulation 1169/2011](#) will go into effect. This is additional legislation (see *Legislative requirements*). The new allergen legislation states that pre-packed food products need to state clearly on the packaging that it contain allergens. CPSHs can contain extraneous material (e.g. gluten, mustard

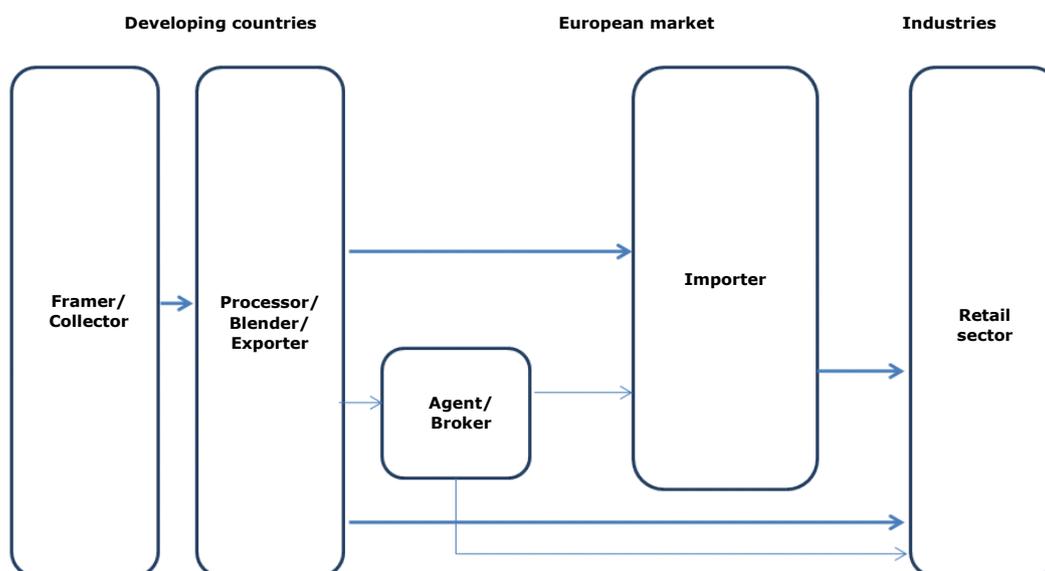
- It is more environmentally friendly to supply products packed close to the market where they will be sold. Therefore, this market is best served by supplying sustainable spices and herbs to packers in the EU. [Suminter Organic India Farmers](#) and [Cape Herb Spice](#) are the main suppliers of Fair Trade-certified pepper sold in the Netherlands. Visit their website to learn about this market.
- Refer to the [producer database](#) of Fair Trade to find certified suppliers of spices and herbs. The [pricing list](#) will give you an indication of the price you will have to pay farmers for Fair Trade or Fair Trade/Organic spices and herbs.
- There are also databases where you will be able to find companies in the EU or in your own country that supply organic cinnamon: [ITC](#) and [Organic Bio](#).
- For more information on sustainable packaging, refer to [Frontier Coop Packaging Standards](#). Another good source of inspiration is the re-sealable bags of [Schwartz Spices](#).
- Make sure your storage location is in good condition. Also, during transport, make sure that your products are either dry or sufficient ventilated. For more information on safe storage and transport of various spices and herbs, refer to the [website](#) of the Transport Information Service.
- To keep up with the latest news regarding EU food regulation, hygienic and food alerts, check the website of the [European Food Safety Agency](#) regularly.
- Allergen-free spices and herbs can be an interesting niche market. There are already several suppliers like [Dutch Spices](#) and [EHL Ingredients](#) active in this market. To prevent

seeds, sesame seeds) that can cause allergic reactions. All herbs or spices not exceeding 2 % by weight of the food may be referred to as 'Spice(s)' or 'mixed spices' or 'Herb(s)' or 'mixed herbs'. If however a product includes more than 2% of spices, the label must list any allergens, glutens or sulphites contained in the spices. These new labelling rules are meant to make it easier for people with food allergies to determine which products to avoid.

allergens from entering your products, refer to the [website](#) of Dutch processor Versteegen for procedures to prevent this.

Market channels and segments

Figure 6: Visual presentation of market channels for CPSHs (thickness of the arrow indicates the importance of trade flow for exporters from DCs)



Analysis and interpretation

- Buyers of CPSHs are importers and distributors and wholesalers that import themselves. Representation on the EU market can be important, especially in the CPSH market. Therefore, it can also be interesting to work together with agents. They will not buy your product but will look for buyers and work on a commission basis.
- Some importers have their own processing and packaging facilities, are a source of competition, and will not be interested in your product. It will however be possible to supply these companies with other non-packed spices and herbs in different forms (e.g. whole, crushed, ground, and in some cases mixed).
- It is very unlikely that you will sell directly to retailers with your own brand of products. In the EU, 36% of food products are sold under a private label (i.e. house

Considerations for action

- Refer to the [CBI's document Market Channels and Segments](#) for more information.
- Make sure to have a 'strategic' fit with the buyers you choose. Ideally, you should be complementary in terms of size, ambition, level of professionalism, and place in the supply chain.
- If you are not able to supply at least one container within the short time frame of your buyer, you can try to combine it with orders for other buyers or look for other

brands of the retail chain). In the UK, it is as high as 51% (Source: [Private label in Europe](#), 2012). The other food products sold are mainly strong national or regional brands. Other reasons why it will be hard to sell directly to retailers are: large order sizes; preference for spices and herbs processed and packed in their own country (considered to be safer and more in tune with national taste); strict buyer requirements; high level of competition from EU suppliers (e.g. preferred suppliers, private labels); and long supply chain, making it difficult for suppliers to deliver on a short-term basis. This is important as just-in-time delivery (JIT) is becoming more common. This provides challenges for exporters in DCs. For example, it will be harder to fill up a container within the short time frames desired by EU buyers. A container is considered the minimum order size for shipping to the EU market.

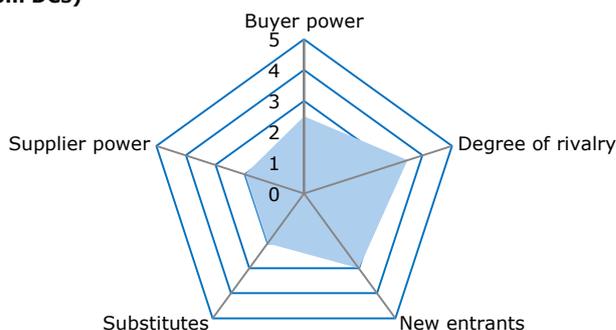
- An exception is supplying the ethnic trade channels that have a significant presence in the EU. Many Asian and Arabic communities have their own retail shops offering a wide variety of typical products from various foreign ethnic groups. They buy products packed in the EU but also products sourced directly from countries of origin. The major advantage of entering this market is that you will not have to adapt your product (taste of the product, design of packaging) to the taste of the EU consumer in the non-ethnic market. In addition, market requirements regarding quality and food safety in general do not go beyond legal requirements as opposed to other many other segments of the EU market. Especially the Asian retail outlets are large in the EU. Many will also act as wholesalers for the food service channels. The larger chains will also act as importers and source directly from DCs.

suppliers that are interested in supplying the EU market. Some buyers consider the possibility of buying a container with a variety of spices or herbs an interesting service. If you are unable to supply a container within a short time frame, it is likely not cost effective to supply the EU market.

- The ethnic trade channels can be an interesting alternative for the large retail chains. There are often close links between the ethnic communities in the EU and those in countries of origin. In addition, for suppliers that already sell retail packed goods on their domestic market, it might be a chance to supply the retail market in the EU as well. There are databases specifically for finding e.g. [Asian \(Netherlands and Belgium\)](#) or [African retailers and wholesalers \(World\)](#). Search the Internet for other databases or individual companies.

Market Competitiveness

Figure 7: Competitive forces for the EU CPSH sector (perspective of the exporters from DCs)



Source: based on Porter's Five Forces model, own analysis

Analysis and interpretation

- **Buyer power:** EU buyers of CPSHs from DCs are generally smaller companies that focus on niche markets (e.g. ethnic, sustainable). Larger buyers (e.g. retailers) have serious buying power. However, they generally do not source CPSHs from DCs.
- **Degree of rivalry:** The degree of rivalry will depend on the market you aim to enter: sustainable market (mainly other EU suppliers), ethnic market (mainly other DCs from Asia), and contract manufacturer (from EU as well as DCs). In general, rivalry in most segments is high.
- **New entrants:** The threat of new entrants from DCs is relatively low as they are only a few that are able to supply this market. The threat for new EU suppliers entering the market is also not very large. Most of the spices and herbs market is in the hands of established brand owners. New entrants have a chance when food trends change towards a market that is not very developed yet.
- **Substitutes:** CPSHs cover all forms of spices and herbs (i.e. whole, crushed, ground, and mixtures). There is competition between these different forms. The threat for substitution from fresh spices and herbs is not very high and only applicable for products with fresh alternatives (e.g. mainly certain herbs, ginger, and chillies). Synthetic flavours are not sold as such in the consumer market but processed into processed food sold in the consumer market.
- **Supplier power:** The supplier power of spice and herb farmers and collectors is small as they have limited financial and storage capabilities. For the production of CPSHs, you are also dependent on the packaging materials suppliers. These should be professional companies that deliver packaging that meet the highest quality and food safety criteria. The price of good packaging can have a significant impact on your cost price, especially in case where purchased volumes are low.

Considerations for action

- Refer to the [CBI's document Market Competitiveness](#) for more information.

- To improve your relation with your suppliers, work with reliable collectors who preferably integrate sustainable practices (e.g. fair prices).
- Educate growers in term of efficiency and agronomics to improve your supply continuity. This is also a hot sustainability issue in the food sector and appreciated by European buyers.

Options for suppliers from DCs of CPSHs

Processing (e.g. cleaning, sterilising, crushing/grinding) is increasingly taking place in DCs. This does not mean that the logical subsequent step is to supply the market with CPSHs. Some market barriers cannot be overcome in some cases. Nonetheless, there are some niches and segments that might provide opportunities for suppliers from DCs. Four possible options are listed below:

Most important developments

1. Ethnic trade channels

As discussed, this market provides the best opportunities for suppliers for DCs. It is currently

Considerations for action

- Branding and marketing are essential when supplying CPSHs. In foreign markets, it is especially important to emphasise product

the only opportunity to get your own branded product into EU shops. The best opportunities exist for Asian suppliers, as ethnic trade channels are the largest in the EU, especially in Western Europe.

2. Contract manufacturing

Consumer packers are often processors as well and will often want to do their own processing as a way to control the process and make money. If they have a financial incentive and trust their suppliers, they might be willing to outsource some of their activities to their suppliers. This is already happening on some scale with EU buyers simply re-packing imported products for their domestic market. The considerable advantage of this market is that you will be able to add some value through other processing steps (e.g. cleaning, sterilising, grinding, and possibly blending) without having to invest in packaging facilities and branding your product.

3. Supplying the sustainable market

This is a form of contract manufacturing and comes down to supplying EU packers with sustainable products. There are also some opportunities for branded products to enter this market. However, at the moment, these are rather limited and volumes sold are small. Being successful will require close cooperation with farmers, paying fair prices, and supplying high quality products.

4. Forget about the EU market

EU packers will continue to dominate their domestic market and it will take large investments to get a foot in the door of the CPSH market. Therefore, if you cannot find a niche and/or the financial support needed, it might be better not to enter this market. Your domestic or regional market might provide better opportunities. The EU market can still provide good opportunities for unpacked spices and herbs.

characteristics that are related to your country or region: taste, quality, authenticity. There is a lot of public information available on the Internet about branding and marketing. Look also on YouTube; e.g. [Building Brands, Empowering Communities](#) on community-based products from DCs.

- In addition, packaging will require serious attention. Make sure your logo and other design elements (e.g. colour, shapes and fonts) of your packaging are perceived positively by your buyers. Ask yourself if any of the symbols you use can be perceived as offensive. It is advisable to work with experts (e.g. designer or industry player) to get the design and material used right.
- Refer to [CBI's fact sheet Sustainable pepper in the Netherlands](#) for more information
- Only consider entering the sustainable market when you are able to deliver high quality. Buyers of sustainable spices and herbs will expect high quality.

Useful sources

- European Spice Association - <http://www.esa-spices.org> - provides information on its national spices association members
- Practical Action - <http://practicalaction.org/herbs-and-spices-answers> - provides information for processors in DCs for a large number of spices
- Spices Board - http://www.indianspices.com/php/international_weekly.php - publishes weekly and monthly prices of various spices and herbs (Indian as well as international prices) free of charge
- Transport Information Service - http://www.tis-gdv.de/tis_search/suche_e.jsp - lists guidelines for the storage and transport of different spiced and herbs
- Food Ingredients Europe - <http://www.foodingredientsglobal.com> - important trade fair for the food ingredient sector in Europe
- Anuga - <http://www.anuga.com/en/anuga/home/index.php> - largest German food trade fair

- SIAL - <http://www.sialparis.com> - large French food fair

This survey was compiled for CBI by CREM B.V.
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