CBI
Ministry of Foreign Affairs

CBI Product Factsheet:

Culinary dried herbs in Europe

Introduction

EU countries mainly consume herbs traditionally used in national diets and grown locally. For this reason, EU producers are fierce competitors. Nevertheless, developing countries (DCs) far away from the EU such as Peru and Kenya are finding market openings, though their market share is still unstable. There are also opportunities for suppliers of more exotic herbs. The growing popularity of herbal teas is an important market driver. A special opportunity exists for suppliers with integrated sustainability practices.

Product description

Herbs are used for flavouring, food, medicine, or perfume. This factsheet specifically focuses on culinary herbs. Culinary herbs generally concern the leafy green parts of a plant. Herbs are distinguished from vegetables in that they are used in small amounts and provide flavour rather than substance to food.

The statistical data in this document are based on Combined Nomenclature (CN) codes. The CN uses Harmonised System (HS) codes to classify products. The HS codes are only available for two herbs: thyme and bay leaves. Therefore in the *Trade and Macroeconomic Statistics* section the analysis concerns only those products unless specifically mentioned. In the other sections, information on other herbs is considered as well.

HS Code	Description
09109931	Wild thyme, neither crushed nor ground
09109933	Other thyme, neither crushed nor ground
09104019	Crushed or ground thyme
09109950	Bay leaves

Product specification

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 vital 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 individual herbs as well as additional buyer requirements not defined in legislation.

Herbs are graded in accordance with the relevant national standard of the country of production or consumption. In addition, ISO standards provide some general guidelines on the grading, handling and packaging of various herbs (including laurel leaves, thyme, fenugreek, oregano, savory, marjoram and basil).

Labelling

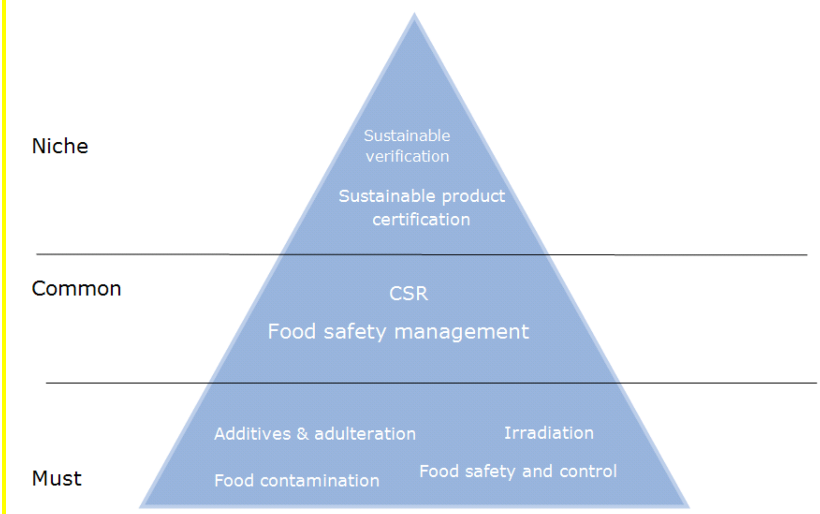
Incorrect labelling is a major source of frustration for European buyers. Therefore, you must be sure to do this properly. For requirements about consumer packaging refer to the CBI Product Factsheet Consumer Packed Spices and Herbs in the EU. Bulk products have to include the following information:

- The name of the product
- Details of the manufacturer (name and address)
- Batch number
- Date of manufacture
- Product grade
- Producing country
- Harvest date (month-year)
- Net weight
- Any information that exporting and importing countries may require: bar, producer and/or packager code, any extra information that can be used to trace the product back to its origin.

Packaging

Herbs that have not been crushed or ground are usually packaged in new, clean dry bags made of jute, cloth laminated with polyethylene of polypropylene or high-density polyethylene bags/pouches. Crushed or ground herbs can be packaged in new, clean, dry containers made of tin, glass or in pouches made of laminated, extruded, metallised, multilayer food grade plastic materials. The containers must be free from insect infestation, fungus contamination, undesirable or bad smells and substances that may damage the contents.

Buyer requirements



What legal requirements must herbs comply with?

Please be aware that your product will have to comply with EU legislation the moment it enters the EU. Compliance is therefore a must. Consequently, only consider exporting to the EU when you are able to comply.

Food safety: Traceability, hygiene and control

Food safety is a key issue in EU food legislation. The [General Food Law] is the legislative framework regulation for food safety in the EU. To guarantee food safety and to allow appropriate action in cases of unsafe food, food products must be traceable throughout the entire supply chain and risks of contamination must be limited. One important aspect for controlling food safety hazards is to define critical control points ([HACCP]) by implementing food management principles. Another important aspect is that your food products can be subjected to official controls. Products that are not considered safe will be denied access to the EU. *Fresh* herbs such as mint, basil, parsley and coriander leaves from Vietnam are currently (August 2015) included in the list. The main problem is excessive levels of pesticide residues. This is a widespread issue in the cultivation of herbs and needs to be properly addressed.

Tips:

- EU buyers will often ask buyers to implement a food (safety) management system based on HACCP-principles (see under *Common requirements*).
- Check if there are any increased levels of controls for your product. The list of herbs and their supplying countries is updated regularly. Check the website of [EUR-Lex] for the most recent list (see latest document under *Amended by*).
- Read more about [health control] in the EU Export Helpdesk.

Contamination of herbs

Contaminants are substances that can be present as a result of the various stages of its growing, processing, packaging, transport or storage.

Pesticides

The EU has set maximum residue levels (MRLs) for pesticides in and on food products. Products containing more pesticides than allowed will be withdrawn from the EU market. The use of pesticides is an important issue for herbs. EU legislation has only set limits for pesticide residues in fresh herbs. The ESA has therefore developed dehydration limits for pesticides for dried herbs they suggest their members use.

The amendment of the EU pesticide Regulation 396/2005 came into effect on 18 May 2015. This amendment sets revised limits for pesticides found in spices and herbs and introduces a new limit for anthraquinone. This substance is not generally used as a pesticide in cultivation but residues may sometimes be found in herbs as a result of artificial drying with fire. The smoke contains anthraquinone which can end up in the product if precautionary measures are not taken.

Tips:

- You can use the EU MRL database in which all harmonised MRLs can be found. You can search on your product or pesticide used and the database shows the list of the MRLs associated to your product or pesticide.
- Promote integrated pest management (IPM) amongst the farmers you work with to reduce pesticide levels in your product. Further information may be found on the website of the Indian Spice Board.
- Read more about MRLs in the EU Export Helpdesk.

Salmonella

A common reason for rejections of herbs by EU custom authorities is the presence of salmonella. There are no specific salmonella requirements defined in EU legislation for herbs as there are for other products. However according to Article 11 of the General Food Law, food products placed on the EU market must be safe. Therefore herbs are banned from the market if salmonella is found. In the EU steam sterilisation is the preferred method to combat salmonella as well as other types of microbiological contamination, especially for herbs destined for the retail market. It is important to be able to provide this service for herb mixtures because buyers prefer mixtures that have been steam sterilised.

Tips:

- Implement better drying, processing and storage practices and discuss them with suppliers. Valuable sources include the Guidelines for Good Agricultural and Wild Collection Practices for Medicinal and Aromatic Plants (EUROPAM) and GAP Spices (IOSTA).
- Salmonella can occur at all stages including growing, harvesting, processing, storage, packaging, and sale. The maintenance of good manufacturing and hygiene practices, together with appliance of HACCP principles, is therefore of great importance during growing, harvesting, and processing.
- Steam sterilising yourself can be costly but you may be able to receive a premium. Working together locally with reliable service providers can be an option.
- Many buyers in the EU will expect a test report on microbiological contamination. Providing this service will make it easier to find buyers in the EU.
- Read more about contaminants in the EU Export Helpdesk.

Dioxins

Specific requirements for dioxins for foods are established in Regulation (EC) No. 1881/2006. At the moment no legal limits have been set for dried herbs but the EU has published Commission Recommendation 2013/711/EU. It defines the action level for dried herbs at 0.5 pg/g for dioxins + furans and 0.35 pg/g for dioxin-like PCBs. Recommendations differ from regulations, directives and decisions in that they are not legally binding. The Recommendation is an instrument of indirect action aimed at the preparation of legislation in Member States.

Food additives and adulteration

Many of the herbs rejected by custom authorities or buyers have undeclared, unauthorised or too high limits of extraneous materials. There is specific legislation for additives (e.g. colours, thickeners) and flavourings that list which E-numbers and substances are allowed to be used. Herbs and herb blends can not contain added colours. Mixtures with illegal artificial colorants (azo-dyes Sudan I, tartrazine, butter yellow) in particular are often confiscated by EU customs authorities. Although these may be approved by the food authority in the country of origin, they are not allowed in the EU.

Ground herbs and mixtures are often intentionally adulterated (e.g. cheaper varieties, olive leaves, spent material). This is a widespread problem in many countries of origin such as India where 30-40% of all food sold is intentionally adulterated. An important reason for adulteration – which is a serious malpractice – is economic gain. Unintentional adulteration, due for example to fertiliser spillover or insects, may also be encountered. Food adulteration is an important issue for EU buyers. According to a panel of industry experts consulted for this study, this type of food fraud in herbs is quite common. The EU and national EU governments are also becoming stricter in the enforcement of food fraud legislation. The Dutch government increased the fines on operators wilfully tampering with food from € 4,500 to a maximum of € 810,000 in April 2015.

Tips:

- In case you use additives make sure it is legal and agreed with your buyers. Also make sure to mention them in the list of ingredients.
- You will have to build up a track record, provide transparency and references if you want to sell processed herbs to EU buyers. It is impossible for buyers to test herbs for every possible extraneous material. They will therefore tend to refrain from buying processed herbs outside the EU or will buy only from suppliers they trust. The burden of evidence is on suppliers.
- Refer to the ESA Adulteration Awareness document for further information on food adulteration.
- Read more about food additives, enzymes and flavourings on the website of the EU.

Irradiation

Irradiation of aromatic herbs is allowed. It is a safe way to kill organisms and affects the taste of herbs less than steam sterilisation. The maximum overall average, absorbed radiation dose is 10 kGy. Consumers generally prefer non-irradiated products. Therefore, this method is not widely used.

Tips:

- Please note that irradiation is less damaging for the taste of herbs than steam sterilisation. However, consumers in the EU generally prefer non-irradiated products. Therefore, this method is not widely used. In other buying countries (e.g. USA) there are fewer objections to irradiation. Ethylene oxide fumigation for combating microbiological contamination is prohibited in the EU. It is however allowed in the USA.
- Read more about irradiation on the website of the EU.

Consumer labelling:

Pre-packed herbs sold to consumers must adhere to strict EU labelling requirements concerning labelling, presentation and advertising of foodstuffs. In December 2014 Regulation1169/2011 went into effect. The new Regulation has repealed earlier legislation on these topics. The new allergen legislation states that the labelling of pre-packed food products must indicate the presence of allergens more clearly than in the past. Herbs or mixtures thereof can contain extraneous material (e.g. gluten, mustard or sesame seeds, milk, nuts – see Annex IIIa) that can cause allergic reactions and therefore have to labelled as containing allergens.

Tips:

- When providing pre-packed products, good professional packaging is a must. Therefore work closely together with your EU buyers to make sure it complies with their needs.
- Always inform your buyer when your products contain allergens, even when you are not taking care of final packing. For bulk goods ingredients have to be listed on the label or in the commercial documents. For more information on consumer labelling refer to the EU Export Helpdesk of the EU.
- Allergen-free spice and herbs can be an interesting niche market. There are already several suppliers like Dutch Spices and EHL Ingredients that are active in this market. To prevent allergens coming into your products, refer to the website of Dutch processor Verstegen on procedures on how to prevent this.
- For more information on consumer labelling refer to the EU Export Helpdesk of the EU.

CITES

Some herbs are listed as endangered species. You will only be able to harvest and export them if they are on the CITES list (international convention on trade in endangered species). In this case you will have to attain a CITES permit. Restrictions mainly apply to medicinal herbs.

Tip:

- To check if the herbs you supply are included on the CITES list go to Annex A, B and C of the CITES Regulation. To read more about CITES – Endangered Species Protection refer to the EU Export Helpdesk.

What are additional requirements buyers often have?

Food safety management and traceability

As food safety is a top priority in all EU food sectors, you can expect many players to request extra guarantees from you in form of certification. Many EU buyers (e.g. traders, food processors, retailers) require the implementation of a (HACCP-based) food safety management system. The most important food safety management system in the EU are BRC, IFS, FSSC22000 and SQF. All the mentioned management systems are recognised by the Global Food Safety Initiative (GFSI), which means are accepted by major retailers.

Tips:

- EU market entry is more likely than not to include implementing a food safety management system, and it is therefore important to familiarise yourself with them.
- Different buyers have different preferences for a certain management system. Check which one is preferred (e.g. UK British retailers often require BRC, IFS is more commonly required on the mainland).
- Read more on Food Safety Management Systems at the Standards Map

Corporate social responsibility

EU buyers (especially those in Western and Northern EU countries) increasingly pay attention to their corporate responsibilities regarding the social and environmental impact of their business. This also affects you as a supplier. Important issues in the herb supply chain are the correct use of pesticides, soil degradation, waste water treatment, the impact on biodiversity and fair payment for farmers. EU companies have different definitions of CSR, and different priorities and ambition levels in this field. Hence, there is no single way to address CSR issues. The right approach could range from signing a code of conduct to ensure compliance with the most important requirements to mapping out and addressing all the CSR issues in your entire supply chain.

Tip:

- Exporters interested in supplying the EU market should at least address the most important CSR issues. Many buyers already use this as a selection criterion for new suppliers. Prioritise CSR issues by considering your impact on various social and environmental factors, what you can feasibly do to improve your impact and what is appreciated by EU buyers. List relevant CSR issues with reference to existing standards such as ISO 26000.

What are requirements for niche markets?

Sustainability certification

There is a growing market for certified products with well-known consumer logos. Organic products focus on land use and inputs. Fairtrade focuses specifically on improving the living conditions of farmers in developing countries. Fairwild is specifically interesting for wild-collected herbs. It aims to protect potentially vulnerable plant species, local ecosystems and the livelihoods of collectors. Processors and exporters can play an important role in the certification process by coordinating the activities of smallholders. If they handle certified sustainable herbs they will have to be certified themselves to ensure a reliable chain of custody. There are specific certifications for traders, such as Naturland's (organic) Processor standard, Fairtrade's Trade Standard or Fairwild's Trade Practices.

FAIRTRADE

Tips:

- To find companies in the EU or in your own country that supply organic herbs: ITC and Organic Bio. Refer to the Fairtrade producer database to find certified suppliers. The pricing list will give you an indication of the price you will have to pay farmers for Fairtrade or Fairtrade/Organic herbs.
- Refer to ITC's Sustainable Spice Initiative Equivalency Tool for an explanation and comparison of sustainability standards.

Verification

Self-verification is an alternative to product certification. Suppliers (after some instruction) can assess their own compliance with a sustainability code. Self-verification does not require expensive audits. It does however entail certain additional costs for suppliers. Unilever's Sustainable Agricultural Code (SAC) and the Olam Livelihood Charter are two examples of publically available self-verification systems. Self-verification is expected to become more common in coming years. Self-verification systems such as those mentioned above have the potential to become industry standards, which would be available and could then be used by all suppliers.

OLAM Unilever

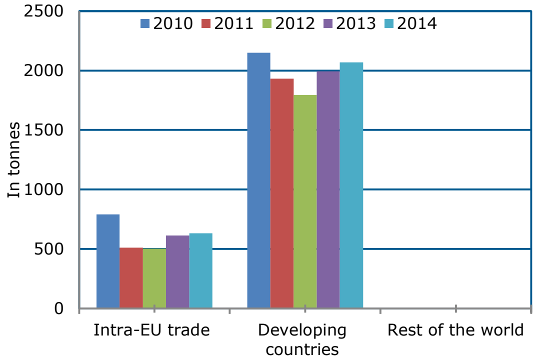
Tip:

- Refer to Unilever's Implementation Guides for further information on self-verification.

Trade and Macroeconomic Statistics

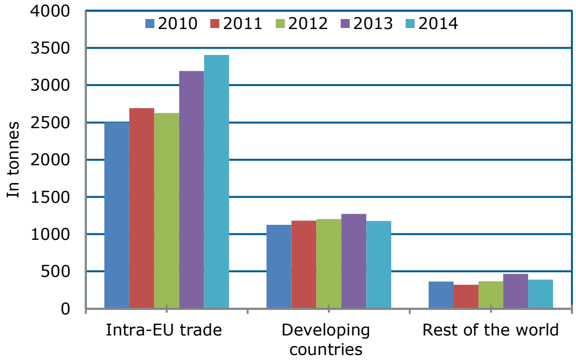
Imports

Figure 1: EU[1] imports of bay leaves, 2010-2014



Source: Eurostat, 2015

Figure 2: EU imports of thyme, 2010-2014



Source: Eurostat, 2015

Most important developments

The market for herbs can be divided into two segments 1) herbs native to EU diets 2) non-native herbs such as (sub)tropical herbs. Herbs native to EU diets are produced on a large scale in the EU itself (see *Production*). EU native herbs are also imported to supplement local production. The EU imported 7.8 thousand tonnes of thyme and bay leaves worth € 33 million in 2014.

Tip:

- Get market information from informed EU industry players. To generate your own statistics go to Eurostat.

EU native herbs are for the most part grown in a temperate climate. Therefore the largest share of imports comes from within the EU or countries in close range to the EU with a similar climate. Sixty-nine per cent of all imports of thyme comes from EU countries and 27% from DCs, nearly all of this (24%) from countries such as Turkey, Morocco and Albania in direct proximity to the EU. Seventy-seven per cent of bay leaves comes from DCs, nearly all of this (72%) from Turkey.

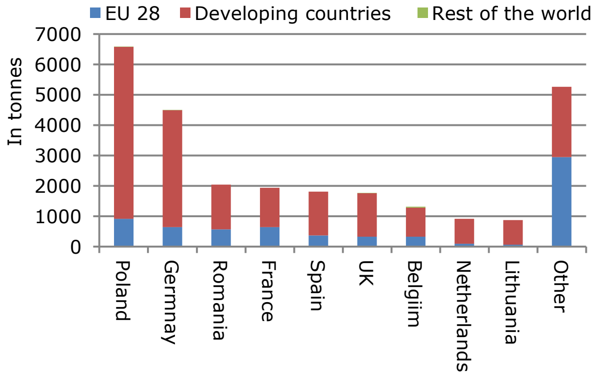
[1] *For a list of EU countries, see the EU website*

Non-native herbs such as (sub)tropical herbs (e.g. lemon grass, curry leaves, kaffir lime leaves, coriander leaves and Asian basil) experience less competition from EU suppliers. Tropical herbs are often used in ethnic food products that have become a huge growth market in recent years. Oriental food products such as Indian, Chinese and Indonesian are especially popular in the EU. However consumers looking for new tasting herbs from other regions such as Africa, Latin America and the Middle East also provide opportunities.
For herbs native to the EU as well as tropical herbs it is true that demand was maintained despite economic downturns. This is shown by Figures 1 and 2 of imports of thyme and bay leaves. In addition herbs are, to a large extent, inelastic to price changes. Herbs in general are a minor but important ingredient that contributes little to the total cost of the food in which it is used.

Tips:

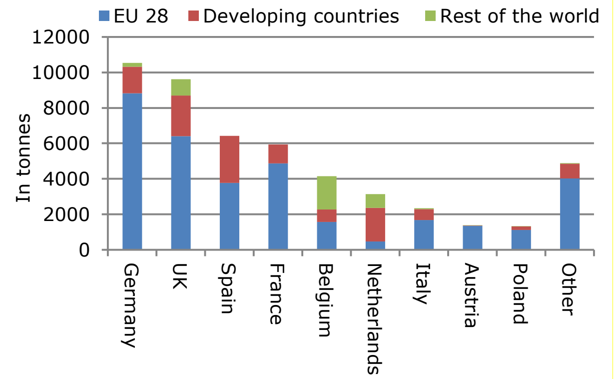
- There are specific trade fairs for ethnic food in the EU. Ethnic Food Europe is a good example. The exhibitor's list provides interesting trade leads. The survey conducted during the 2014 edition shows that most visitors (of which many were Dutch) were interested in Thai, Chinese and Indonesian food.
- Read articles, reports and talk to buyers to obtain a better understanding of the ethnic food market. Keynote publishes an annual study (paid service). An article based on the 2011 market report can be found here.

Figure 3: EU imports of bay leaves by EU country and supply categories, 2014



Source: Eurostat, 2015

Figure 4: EU imports of thyme by EU country and supply categories, 2014



Source: Eurostat, 2015

Most important developments

Imports of bay leaves from DCs fell by -0.9% per annum between 2010 and 2014, which is less than the drop in overall imports (-2.1%). Smaller suppliers performed well but their exports vary widely from year to year and they still have only a small share of the market.

Imports of thyme in 2014 consisted of wild thyme (14%) and other culinary thyme (86%). Imports from DCs increased by +1.1% per annum between 2010 and 2014, which is less than the rise in overall imports (+5.7%). Here again, exports from smaller suppliers vary widely from year to year. For example, Peru exported 15 tonnes in 2013 and 0.5 tonne in 2014. Smaller suppliers located far away from the EU can make a minor contribution to total EU imports but will find it hard to build up a stronger position due to strong competition from countries in closer proximity to the EU.

Tropical herbs are mostly imported by buyers in EU countries where large ethnic communities are present and where ethnic food is popular. This applies mainly to Western EU countries: UK (Indian, Pakistani), the Netherlands (Indonesian, Thai) and Germany (Thai). There are certainly opportunities in other EU countries and for different types of ethnic food (North and Sub-Saharan African food in France), however the volumes traded are smaller. Ethnic food and drink products are sold through mainstream as well as ethnic food outlets. They consist of a separate trade channel in the EU. The retailers and wholesalers generally source products from their respective land of origin.

Tips:

- The ethnic trade channels are an interesting market to target. There are databases specifically for finding, for example, Asian (Netherlands and Belgium) or African retailers and wholesalers (World). Search the Internet for other databases or individual companies.
- Food trends are developing fast in the ethnic food and drink market. Therefore, acquire market insights regularly by attending trade fairs and talking to buyers.
- It is highly recommended that you achieve success in supplying your domestic market with crushing and/or grinding products before considering the EU market. Addressing quality issues is a great way of adding value and opening up markets and should be explored before other methods of adding value.
- It is more costly to clean contaminated ground herbs than whole ones. Your buyer will transfer costs to you if your products do not comply with requirements.

The market for crushed/ground herbs is opening up as EU buyers are increasingly purchasing herbs processed in origin. Fifty-four per cent of thyme imported from DCs in 2014 was crushed/ground. The trend towards more processing in the country of origin is expected to continue and even to accelerate.

Tip:

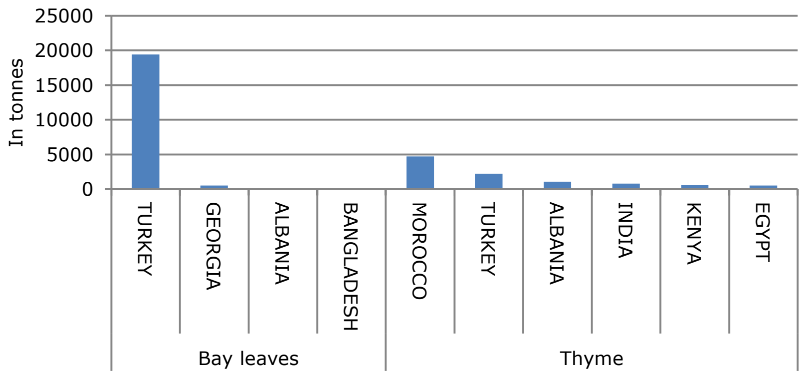
- The market for crushed/ground herbs is only interesting for certain products. For example, only a small share of bay leaves is bought in crushed form. In addition, a certain economy of scale needs to be achieved. For tropical herbs this also means supplying other (local) markets with products.

Smaller suppliers are increasingly successful in supplying processed herbs to the EU. Smaller suppliers, situated further from the EU, improved their performance: Peru and Kenya did not supply the EU at all in 2010, but supplied 5.4 and 2.3 tonnes respectively in 2014.

Tip:

- Refer to the CBI Product Factsheet Crushed and Ground Spices and Herbs in the EU

Figure 5: EU imports of bay leaves and thyme from developing countries, 2014



Source: Eurostat, 2015

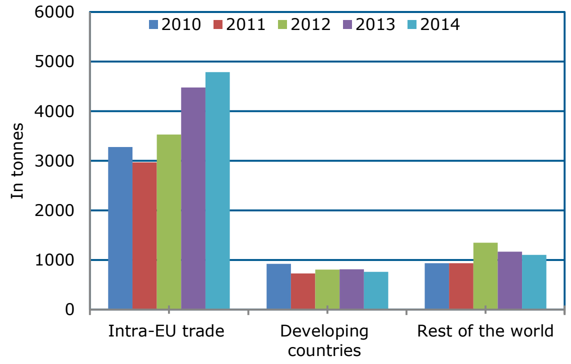
Tip: market selection

Although the EU is a single market, there are major differences between EU regions and countries that you should consider in your export strategy. Perform a statistical analysis to obtain an insight into these differences. Focus on the following aspects:

- ***Volume of imports*** - will reveal which countries are the largest buyers or traders in the EU. You will find the largest buyers of herbs in Western EU countries (68% of total EU imports in 2014). Also look at exports to determine if a country imports for its domestic market and/or is a trader or processor.
- ***Percentage and growth of imports from developing countries*** – will tell you whether a country depends on direct imports from developing countries or on imports from other EU countries. Focus on countries where the share of developing countries is high or growing. As shown by Figure 3, some countries rely more on other EU countries than alternatives (e.g. Northern EU countries).
- ***Volume and growth of imports from your country*** – reasons why buyers in a certain EU country prefer to source from a specific sourcing country include taste preference, presence of the processing industry in buying country, extra-legal food safety requirements, historical trade relations. For example, Spain sources a large share of imported herbs from Morocco due to the historical close ties and proximity.
- ***Price*** – The prices paid for herbs vary throughout the EU. These price differences are largely determined by the quality level and compliance with extra-legal food safety requirements demanded. Northern and Western EU countries generally have the highest quality (and food safety) standards and pay the highest prices. The price paid also depends on the place in the supply chain. Countries that rely on other EU countries for supply and/or processing pay a margin for these services.
- Create a free account for statistical databases such as Eurostat and ITC. Complement your statistical analysis with an analysis of your own position to ensure a strategic fit with your buyer: size, level of organisation, product (e.g. mainstream or niche) and ability to comply with extra-legal food safety and sustainability requirements.

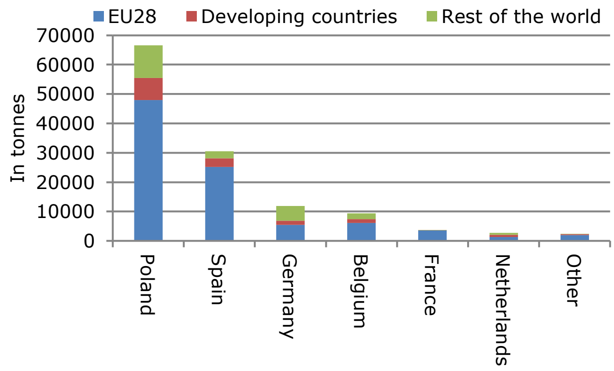
Exports

Figure 6: EU exports of bay leaves and thyme, 2010-2014, by destination category



Source: Eurostat, 2015

Figure 7: EU exports of bay leaves and thyme by exporting country, 2014



Source: Eurostat, 2015

Most important developments

EU exports of thyme and bay leaves in 2014 amounted to 6.6 thousand tonnes, at a value of € 30 million. The volume of exports grew by an average of 6.7% per annum between 2010 and 2014. This was mainly due to growing exports to other EU countries (+10% per year).

Seventy-two per cent of all EU exports in 2014 represented intra-EU trade. Poland (46% of total exported volume) was by far the biggest exporter in this category, followed by Spain (18%) and Germany (14%).

Tip:

- Explore opportunities for direct exports to the countries supplied by other EU countries (see Figure 3). Buyers who do not deal directly with suppliers in the country of origin might have reservations regarding quality, food safety and supply security. You should therefore investigate buyer requirements in your target market and deal with buyers' potential reservations in advance. Get references from your other EU buyers. You should also be aware that you may be asked to provide the same service levels as EU buyers (short supply times, small orders, steam sterilisation, etc.).

Exporters from developing countries that have experience supplying EU countries can decide to focus on increasing their sales to buyers that rely on other EU suppliers. This is be beneficial for increasing profits and margins. EU processors add a lot of value. The average price of crushed or ground thyme exported by EU countries to other EU countries is double that of similar products originating in developing countries.

Production

Table 1: Production regions of herbs popular in the EU

	Product:	**EU**	**Other Europe**	**Africa**	**America**	**Asia**	**Oceania**
	Basil	France, Germany, Belgium, Hungary and other Mediterranean countries	-	Egypt	USA	Middle East	-
	Bay leaves	EU	Turkey	-	USA	Arab countries	-
	Celery leaves	EU	-	Northern Africa	-	India, China	-
	Coriander leaves	Eastern EU, France	Russia	Egypt, Morocco	Central America and USA	-	-
	Curry leaves	-	-	Southern Africa	-	India, Sri Lanka Malaysia	-
	Dill	UK, Germany, Romania (European Dill)	Turkey, Russia (European Dill)	-	USA (European Dill)	India (Indian Dill)	-
	Fennel	EU	-	-	-	Asia Minor, India	-
	Marjoram	EU	Russia	Northern Africa	USA	China, India	-
	Oregano	Mediterranean EU	Turkey	-	Mexico, Dominican Republic	-	-
	Parsley	Mediterranean EU, Belgium, Germany	Balkans	-	Mexico, USA, Canada, Dominican Republic, Haiti	-	-
	Rosemary	EU	Turkey, Russia, Serbia	Northern Africa	USA	India	-
	Sage	Southern EU	Balkans, Turkey	-	Canada, USA	India	-

	Savory	Southern EU, Germany, UK	-	-	Canada, USA	India	-
	Tarragon	Southern Europe	Russia	-	USA	Western Asia, India, Afghanistan	-
	Thyme	Spain, Italy	Balkans	Northern Africa	Canada, USA	Northern Asia, India	Australia

Source: Spice Board India, 2014

Most important developments

As can be seen from Table 1 all the herbs popular in the EU are also produced in the EU to some degree. A large share of production is consumed fresh locally.

Tip:

- Nedspice regularly publishes a crop report about developments on dehydrated ingredients by Nedspice Crop reports and production reports for herbs are scarce. Therefore the best way to determine your competitive position is by talking to industry players.

There is very little data on the production of herbs. Therefore it is not possible to provide an overview of developments in the market.

Herb processing and heat treatments such as steam sterilisation are increasingly carried out in countries of origin. Heat treatment is quickly becoming an important buyer requirement. At the moment European processors still perform most of the heat treatment.

Tip:

- Explore opportunities to cooperate with EU processors, especially large ones that have the size and resources to invest. Find EU processors in the member lists of the national spice association in the EU. Refer to the member section of European Spice Association (ESA) for an overview of associations.

Consumption

Consumption statistics for herbs in the EU are not available. Industry experts state that the economic crisis has not significantly influenced the demand for herbs. This is also shown clearly by Figures 1 and 2 illustrating the development of imports of bay leaves and thyme.

Local EU cuisines use a lot of herbs from the Mediterranean, mainly bay leaves, marjoram, oregano, rosemary, savory, thyme and parsley, most of which can be grown in moderate climates. Because of the increasing immigrant population, consumers have become more interested in ethnic and foreign foods, resulting in the list of herbs and spices expanding significantly.

The Mediterranean regions of Southern France, Spain and Italy have a relatively low consumption of dried herbs. Many Mediterranean dishes use fresh herbs rather than dried ones for flavouring.

Tip:

- It is not recommended that you supply fresh herbs to the EU market. It involves many transportation challenges that add to the costs, reducing your competitive position.

A large share of consumption involves industrial demand from the food processing industry (70-80% of demand). Herbal teas are becoming increasingly popular in the EU partially due to the health problems associated with the excessive consumption of caffeine in coffee and tea. The herbal tea market provides interesting opportunities for suppliers of amongst others chamomile, fennel, hibiscus, mint, rosemary, sage and thyme.

Tips:

- When supplying the herbal tea market you have to be able to supply herbs with tea bag cut. Refer to the CBI's Product Factsheet on tea for more information.
- When focusing on different segments in the market always be aware that buyer requirements may differ. As a minimum, comply with the ESA Quality Minima Document. However in contrast to retail packagers, food processors do not always require steam sterilised products. Contact buyers and ask them to send their product requirements by e-mail in order to see (up front) which product requirements and quality standards need to be met.

The demand in the EU for food and beverages is expected to stabilise in Western EU countries until 2020. Growth is expected in Eastern EU countries where total food consumption (in value) is expected to grow by 31% in 2021 compared to the level in 2000 (Source: Deloitte, 2012). The demand for herbs is therefore expected to continue to increase as well in the long run

Tip:

- Check the economic member state forecast by the European Commission to see which countries will provide an attractive economic climate over the next few years.

Market Trends

More healthy herbal products:

Herbs have many medicinal properties and are used for those applications. This market is much more regulated than the market for culinary food. This is an important reason why there is an increase in herbal products that are promoted as beneficial for health without being called medicinal. The market for medicinal herbs is interesting because consumers are focused on quality more than on price here. Medicinal herbs are often grown from selected seed material.

Tips:

- Refer to the CBI's document Trends: Spices and Herbs for more information on trends in the spices and herbs market.
- Refer to the CBI's market studies and Natural Ingredients for Cosmetics and Pharmaceuticals for more information about those related markets.

Steam sterilisation:

EU buyers are increasingly asking for steam-sterilised herbs. This is especially important in the market for mixtures, as it is harder to treat microbiological contamination in crushed or ground products. It can earn a significant premium for suppliers that are able to supply steam-sterilised herbs, sterilised at source. Investment in sterilisation equipment can be very costly (up to € 1 million). An important downside of steam sterilisation is that it negatively affects the volatile oil content, which produces the flavour. EU buyers would switch to other methods if they were as safe, accepted by consumers and not too expensive. At the moment there is no alternative that meets these requirements but research is being conducted at the sector level.

Tips:

- Small operators with limited access to capital will have to find an alternative solution. Look for local sterilisation companies that are able to provide this service for you.
- Steam sterilisation is only effective if food safety is taken into account during drying, storage, processing (e.g. sieving, mixing, grinding/crushing), packaging and transport. Contamination after the sterilisation step has to be avoided. Mycotoxins and other contaminants are insensitive to sterilisation and must be controlled during all steps of the chain.
- Determine whether your (potential) buyers require steam sterilisation before considering providing the service.
- Keep up-to-date with regard to the development of steam sterilisation alternatives: GreenFooDec.

Freezing of herbs: freeze-drying is a technique used to preserve herbs. It is considered to preserve taste better than regular drying. It is increasingly performed by large companies such as Herbafrost (Belgium), Frosta (Germany) and Euroma (the Netherlands). They supply freeze-dried herbs that are used in the food processing industry and sold directly to consumers in the retail sector. They source herbs locally or internationally. Another important development is the growing market for individually quick frozen (IQF) herbs: example Herbafrost. This combines the freshness of fresh herbs with the availability and shelf life of dried herbs. This represents serious competition for suppliers of dried herbs. A large segment of the market is moving towards more fresh products that are convenient to use.

Tip:

- Freeze-drying is an expensive technology to invest in. Small operators that do not have the resources should try and work with companies that provide this service locally or internationally. For buyers of herbs refer to the presentation by Egyptian Medicinal and Aromatic Plants (see country profiles from sheet 26 onwards).

Sustainability is on the rise:

Sustainable sourcing is an important trend in the EU, especially in the UK, the Netherlands and Germany. Important issues in the supply chain are the correct use of pesticides, the use of child labour, health and safety in working conditions and loss of biodiversity. As a supplier you will be increasingly faced with sustainability requirements from your buyer. Although sustainable herbs are still a niche market, demand for products certified for compliance with sustainability standards is increasing. A big challenge for the market for certified herbs is the fact that these herbs have to be sold at a higher price to cover some or all of the certification costs. This has resulted in an ongoing debate in the sector concerning the best way forward in the implementation of sustainability in the mainstream market. The option of third-party certification is still under debate. As mentioned above, self-verification could become more common in the future in the mainstream market.

Tip:

- Governmental and non-governmental organisations in developed countries often have programmes and subsidies available for investments in sustainability. You should therefore look for possible partners in the promotion of sustainability with the aid of these funds. Further information is available on such websites as the Sustainable Spice Initiative, the Netherlands Enterprise Agency, the German Ministry for Economic Cooperation and Development and Cordaid.
- Refer to the CBI Product Factsheet *Sustainable Spices and Herbs in the EU* for more information about long-term expectations of the market for certified sustainable products.

New import tariffs:

In January 2014 significant changes were made in the EU's Generalised System of Preferences (GSP). This system provides preferential import tariffs for products from selected developing countries. One relevant aspect for the herbs market is that spices and herbs from China no longer benefit from preferential import tariffs. This means that it is now more expensive to import certain products from China. The import tariffs for most whole spices and herbs however remain at 0% for all countries. The tariff for some crushed and ground herbs has however increased (from 0% to 4%). The extent to which this new policy will affect your competitive position will depend on whether you supply processed herbs that compete with China.

Tip:

- Refer to the TARIC consultation database to check the import tariffs that apply to your own or competitive countries.

Competition

Analysis and interpretation

Market entry:

New entrants:

Although production is in hands of many large producers, smaller supplying developing countries are increasingly entering the market. This also applies to the market for processed herbs. The main reason is that wages are lower in these new developing countries

Tip:

- Refer to the CBI's document Competition: Spices and Herbs for more information.

Product substitutes:

Substitutes:

Dried herbs can be replaced by fresh and frozen herbs. This threat is especially high in Southern EU countries. In specific applications such as tea, herbs can be replaced by other ingredients (e.g. dried fruit).

Company competition:

Degree of rivalry:

The degree of rivalry is high with tough competition from EU producers and producers in close proximity to the EU. For more tropical herbs the degree of rivalry is lower in the EU but the market is also significantly smaller.

Buyer power:

EU buyers range from large companies with different roles (e.g. importer, processor, consumer packager) to smaller trading companies specialised in herbs. Most of them supply large buyers such as tea producers, food processors or retailers who are consolidated and able to dictate prices. Large buyers such as Unilever (e.g. tea sourcing) are also increasingly sourcing directly or setting up subsidiaries in producing countries. This increases buyer power.

Supplier power:

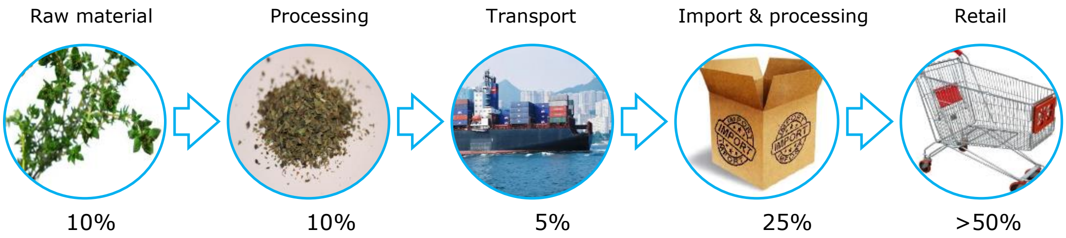
The power of suppliers depends on the product supplied. In developing countries herbs can be grow by large farmers that have incorporated professional growing techniques. There are also smallholders and wild-collected products whereby suppliers do not own their own land and often have limited resources

Tip:

- Educate growers in terms 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.

Price breakdown

Figure 9: Snapshot of price breakdown of herbs



Source: CREM, 2015

Please be aware that this price breakdown for herbs is only a general indication. It is influenced by many different factors. These include the country of origin, the current and expected future harvest situation, quality of the raw material, level of processing, level of demand and the trend in prices. All these factors make it difficult to provide a reliable price breakdown.

Table 2: Sales prices of dried herbs

Product	**Importer/wholesale price per kilogram***	**Retail price per kilogram**
Bay leaves	€ 6.07 (US $ 7.57)	€ 220 - 490
Thyme	€ 2.81 (US $ 3.51)	€ 100 – 140
Oregano	€ 4.03 (US $ 5.03)	€ 150
Parsley	€ 4.95 (US $ 6.18)	€ 220 - 300
Basil	€ 2.93 (US $ 3.66)	€ 100 – 220

** Prices converted from US dollars to Euro with the exchange rate € 0.8016 for 1 US dollar*
Source: Market Insider ITC (import/wholesale price, November 2014) Albert Heijn (retail price)

Table 2 reveals that there are large differences between prices of importers/wholesalers and retailers. An important reason is that prices are often sold in small retail packages (commonly 4 -15 grams) instead of bulk. In addition, retailers take care of repackaging, branding, marketing and transportation.

Tip:

- The prices of some herbs (e.g. dill, fennel, coriander) are provided regularly by the Market Insider service by ITC. Importer/wholesaler prices of organic herbs are also shared occasionally.

Please be aware that the value of the Euro has dropped significantly in relation to the dollar during the past year. Various sources indicate that this decline is likely to continue in 2015. International prices are often given in US dollars. The weakening of the Euro thus affects EU importers who have long-term contracts with their suppliers. Whether fluctuating exchange rates are beneficial for exporters from developing countries depends on the value of their own currency relative to that of the US dollar

Tip:

- Keep up to date on exchange rates with the aid of websites such as Oanda.

Useful sources

- European Spice Association - http://www.esa-spices.org - provides information on its national spice association members
- Food Ingredients Europe - http://www.foodingredientsglobal.com- important international trade fair for the food ingredient and health sector in Europe
- SIAL - http://www.sialparis.com - large international food fair held in France every year
- Biofach - http://www.biofach.de - largest European organic food trade fair held in Germany

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