

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

Last updated:
29 March 2022

As an exporter of natural ingredients to Europe, you must organise your exports to Europe efficiently. Success means your natural ingredients will enter the European market, whereas failure could mean no entry. You must therefore have a good understanding of practical matters regarding exporting your natural ingredients. Due to the impact of the COVID-19 pandemic on global trade, and because it will continue to have a significant impact for the foreseeable future, it is something you must consider when organising your exports to Europe.

Contents of this page

1. [Choose the right international payment method](#)
2. [Purchase export insurance](#)
3. [Be compliant with customs](#)
4. [Choose and use the right mode of international transport](#)
5. [Use the correct packaging](#)
6. [Seek assistance](#)
7. [Meet common buyer requirements](#)
8. [Reach and make contractual agreements](#)
9. [Get a legal advice in case of a dispute](#)
10. [Check our reports for practical tips](#)

1. Choose the right international payment method

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

Choosing the right payment method is key to building a long-lasting relationship with buyers. As there are several payment terms to choose from, carefully consider the advantages and disadvantages of each one before deciding. If you opt not to do this, you could end up suffering financial losses if you encounter payment issues. Conversely, following this tip reduces the likelihood of this happening. The key reason to follow this tip is therefore that it will help you avoid any payment problems.

Table 1: Factors to consider when choosing a payment method

	Cash in Advance	Letters of Credit	Documentary Collection	Open Account
--	-----------------	-------------------	------------------------	--------------

Customer relationship	New	New	Established	Established
Nature of order	Custom	Custom	Normal	Normal
Political situation	Unstable	Unstable	Stable	Stable
Economic situation	Unstable	Unstable	Stable	Stable
Competitors offer terms	No	No	Yes	Yes
Risk of price changes	Yes	Yes	No	No
Need to control cash flow	Yes	Yes	No	No

Source: SunTrust International

Letters of Credit

For both importers and exporters, Letters of Credit (LC) are considered the safest payment methods. This is because an LC lets both parties contact a neutral arbitrator, usually a bank, to resolve any issues. The chosen bank then guarantees the exporter will receive full payment, provided that the goods have been dispatched.

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

Cash in Advance

For exporters, [Cash in Advance](#) is advantageous because it is relatively risk free as payment for natural ingredients is received before delivery. Cash in Advance puts buyers at a disadvantage because payment is made before the natural ingredients are received. Cash in Advance payments are usually made using wire transfer or credit card payments. Escrow services on the internet are becoming more popular as they reduce the risk of fraud in addition to ensuring both the exporter and buyer meet the terms of the agreement.

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

Online Escrow Services

[Online escrow services](#) are becoming increasingly popular due to advantages they offer to both exporters and importers. [Advantages of online escrow services](#) include greater security and reduced risks to both parties. It protects exporters (as they can verify funds) and importers (as they can inspect goods before funds are

released). Ease and lower cost compared to other payment methods are two other advantages.

Documentary Collection

Documentary Collection is an international payment method allowing exporters to use banks to collect their payment on delivery of documentation. Advantages of Documentary Collection include lower costs and greater flexibility compared to LC. However, one of the disadvantages is that European buyers might not make payments despite receiving the correct documentation.

Open Account

Open Account is another international payment method whereby exporters deliver natural ingredients before receiving payment. This carries serious risk for exporters, particularly when there is no established trading relationship with the buyer. This is because there is no guarantee that exporters will receive payment after delivering the goods. However, once a business relationship has been established the Open Account method is recommended. Nevertheless, exporters should purchase insurance to protect themselves from situations of non-payment.

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

As an exporter, there are several factors you must consider before choosing an international payment method. These include your and the importer's expectations, financial resources and time available, prior experience and desire to take risk. Several leading financial institutions help exporters who want to export their natural ingredients to Europe. They include [HSBC](#), [Deutsche Bank](#) and [BNP Paribas](#). Consider seeking their services if you need assistance.

Tips:

Familiarise yourself with the expectations of European buyers, and with your competitors and with the most frequently used payment types for the natural ingredients. This will help you make better-informed decisions.

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

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

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

Request a written contract with the payment terms agreed or ensure these terms are included in your final contract. Ensure that you carefully read and understand the terms agreed before signing any contract. It is essential that any changes be made before a contract is signed as it is difficult to change contractual terms afterwards.

2. Purchase export insurance

Export insurance protects exporters from risk factors when exporting their natural ingredients to Europe. This is the main reasons to follow this tip. Risks include non-payment of goods and services despite delivery, costs of return of delivery or refusal of acceptance and damage to or loss of goods in transit.

Conversely, if you opt not to follow this tip and fail to take out export insurance, it could be financially crippling or at the minimum reduce your ability to trade if you encounter difficulties during the import/export process. You are therefore strongly urged to follow this tip. The most common types of insurance in this sector are given below:

Export credit insurance

Export credit insurance reduces the financial risk when exporting goods. A key advantage of having export credit insurance is that exporters are protected if a buyer is put into liquidation, is slow in making payments or fails to make payment.

There are several types of export credit insurance that can be taken out for natural ingredients for health products. These include:

- short-term insurance – with a repayment period of up to one year;
- single-buyer policy – best for insuring against the risks of working with one customer or a one-off risk; and
- multiple-buyer policies – best if you make regular shipments to several customers and use a pay-as-you-go service.

Well-known credit insurance companies include [Atradius](#), [Coface](#) and [Euler Hermes](#). The costs of their insurance policies depend on a variety of factors including your annual turnover, previous claim history and the risk profile of your buyer.

Steps involved in purchasing export credit insurance:

Doing a credit check of your buyer before approaching insurance companies because provides you with information about the risks you face with the buyer in question. Additionally, insurance companies may ask you about the risks of your buyer.

Finding export credit agencies in your region. One way to do this is through the members of The International Credit Insurance and Surety Association (ICISA).

Carefully reviewing the terms and conditions of your insurance policy and ensuring you understand these before purchasing the insurance. Ask about and/or seek advice if you have any questions or are unsure about anything

Political risk insurance

Political risk insurance protects companies against the possibility that a government will take action that causes the insured party to experience a large financial loss. Examples include government confiscation of property, political violence, the inability to convert local currency and repatriate it, sovereign default and even acts of war.

Marine and cargo insurance

This type of insurance is one of the most important for goods exporters. Marine insurance offers protection against loss of or physical damage to goods while en route to the customer, whether by road, rail, sea or air. As a small- to medium-sized exporter in a developing country, purchasing this insurance is recommended, especially if the potential loss of cargo would have a significant impact on your business.

Marine insurance also covers property that is exposed onshore and offshore and marine casualty, hull and marine liability insurance. There are several types of cover available, such as open cover, duty insurance policy and specific voyage policy and some insurers may include inland transit policies in this insurance cover.

Currency insurance

Currency insurance is another type of export insurance. Fluctuations in foreign exchange rates can lead to great losses for exporters. This type of insurance covers any losses that may arise from the negative effect of currency movements.

International product liability insurance

This type of insurance provides a coverage for the risks arising from litigation or cost related to recall if ingredients or products are faulty or fail to comply with appropriate regulations. This insurance only covers you against unexpected circumstances, not if you supply inferior ingredients.

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

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

Figure 1: Incoterms 2020 Rules and Responsibility Quick Reference Guide



Source: incodocs.com

Tips:

Purchase export insurance, particularly export credit insurance as it offers exporters the best protection against several potential risk factors that could end their business.

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

Ensure detailed information about your business, such as your businesses turnover, its risk and liabilities, is easily available. Such information is required to create a policy specific to your business needs as an exporter. For example, the premium in marine cargo insurance is usually calculated based on company turnover.

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

insurance.

3. Be compliant with customs

As an exporter of natural ingredients, you must comply with European Union (EU) customs policy. Non-compliance may result in your natural ingredients not being admitted to the European market and your business incurring significant costs. It may also result in financial penalties and end any trading relationships with European buyers. Thus, you should definitely follow this tip. If you opt not to do so, it will likely be to your disadvantage.

You must have a [Certificate of Origin](#) for your ingredients for them to successfully pass through EU customs procedures and be sold on the European market. This is used to determine the tariff for the natural ingredients that you are exporting to the European market.

Natural ingredients are identified by a code number in the [Combined Nomenclature](#). The [EU Common Customs Tariff](#) applies to the import of goods from outside the EU's external borders. Visit the [European Commission's Access2Markets Database](#) to determine what requirements your natural ingredients must comply with. Table 2 gives examples of tariffs for natural ingredients for natural health products.

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

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

Source: TARIC

Some EU Member States may also have specific customs requirements for the import of goods to their country. There may be differences regarding customs procedures, documents, laws and regulations and proof of origin. Customs brokers and freight forwarders can complete the customs process for you; consider seeking their services. Sanctions imposed for non-compliance with EU customs policy differ across EU Member States. However, all EU Member States impose sanctions for non-compliance with EU customs policy.

The EU has entered into trade agreements which are designed to create better trading opportunities and overcome barriers with many countries around the world. The EU has several trade agreements with countries in Africa, the Pacific and the Caribbean.

These trade agreements are categorised into three types based on their content. The three types are Economic Partnership Agreements, Free Trade Agreements and Association Agreements. Visit and search the [European Commission website](#) for more information on the EU's trade agreements with specific countries.

Table 3: EU Economic Partnership Agreements with ACP countries, 2021

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

Pacific		Fiji	
Papua New Guinea			
			Samoa
			Solomon Islands
EPA concluded, adoption ongoing	Africa	West Africa	16 countries
East African Community (EAC)	6 countries		
Caribbean		Haiti	

Source: trade.ec.europa.eu

In June 2019, the [EU and the MERCOSUR trade bloc \(Argentina, Brazil, Paraguay and Uruguay\)](#) reached a political agreement for a balanced and comprehensive trade agreement. The EU also signed a trade deal with [Vietnam](#) in 2019. Whilst negotiations with Mexico have concluded, they have not yet been finalised with Chile.

The UK has officially left the EU, the EU Single Market and Customs Union; EU law no longer applies to the UK. For information about importing and exporting to the UK, see the importing and exporting section of the [Brexit: guidance for businesses](#). There, you can find information on [tariffs on goods imported into the UK](#), among other things.

Tips:

Use the [European Commission's Trade Access2Markets Database](#) to determine the [EU Common Customs Tariff](#) applicable to your natural ingredients.

Determine whether the EU Member State you are exporting your natural ingredients to has any specific customs requirements. Contacting [customs offices](#) in individual European countries, which provide information concerning this is one way to do this. You must comply with EU Member States' specific customs requirements (if applicable).

Consider using the services of customs brokers and freight forwarders as customs procedures can be difficult to navigate. Organisations such as [CONFIAD](#), [GlobalTrade](#) and the [International Federation of Customs Brokers Associations](#) provide assistance finding customs brokers. However, be aware that this will usually come at a cost.

Seek the services offered by the [EU Access2Markets Trade Helpdesk](#), which provides a substantial amount of information on customs procedures that exporters must comply with. A big advantage of the EU Access2Markets Trade Helpdesk services is they are free of charge.

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

4. Choose and use the right mode of international transport

You must choose and use the correct mode of transport as an exporter of natural ingredients to Europe. The main reason to follow this tip is that it could help you develop long-lasting trading relationships with European buyers. If you opt not to follow this tip, it will cause reputational and financial damage, particularly when a contractual agreement is in place to deliver natural ingredients within an agreed timeframe. Thus, you are strongly urged to follow this tip.

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

1. Delivery time - European buyers prefer shorter delivery times. Air freight is usually faster than sea freight and also more reliable regarding on-time delivery. You should keep in mind that delivery times have been longer since the start of the COVID-19 pandemic. Mandatory quarantine measures and restrictions on the movement of goods are reason for this;
2. Volume/quantity of order - larger quantities are often cheaper to ship by sea. With smaller volumes, air freight can be less expensive, due to smaller margins;
3. Cost of mode of transport - for larger volumes of [sea freight](#) is estimated to be 4-6 times cheaper than air freight. It is unlikely that the price of your cargo will increase substantially if you increase the volume. Keep in mind that due to the COVID-19 pandemic, the cost of air freight has been increasing; this is likely to change once carriers become fully operational again.

Interviews with European buyers of natural ingredients have revealed COVID-19 is causing significant disruption to global supply chains. Delivery times are longer due to flight cancellations and port lockdowns whilst consignments are subjected to quarantine and lockdown measures. Indeed, one European buyer of natural ingredients for health products stated, *“transportation, was very difficult”* as *“there were delays”*. Another buyer commented, *“the problem is for the import itself, delivery time is very long”*.

Delivery costs have also increased. For example, one buyer stated, *“transportation cost has increased”*, with another buyer stating, *“we have experienced higher transportation costs”*. Another buyer revealed *“we are now facing massive price hikes on freight, delays with containers and vessel sailings, port congestion and longer lead times”*. Challenges for exporters are likely to continue for the foreseeable future as different states and governments around the world tackle COVID-19 with various measures. You must therefore carefully consider and factor in effects COVID-19 is likely to have on the shipment of your natural ingredients to the European market.

You must consider all three key factors collectively when deciding what mode of transport should be used to ship your natural ingredients to Europe. This is because any trading relationship involves tensions and trade-offs, especially when you are doing business with a European buyer for the first time. Read the [air versus ocean freight](#) article by Freightos as it provides further information on factors you must consider when choosing your mode of transport. The article also contains information specific to COVID-19.

Incoterms are internationally-accepted commercial terms defining the roles of sellers and buyers in the arrangement of transport and other responsibilities. Incoterms also outline when the transfer of ownership of goods takes place. You should familiarise yourself with frequently used Incoterms as they will help you in your dealings with logistics providers.

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

You must meet these specific conditions by informing your logistics provider of them. Failure to do so can lead

to the quality of your natural ingredients having deteriorated by the time they reach the European buyer. This can result in serious consequences for you as an exporter. Serious consequences include buyers refusing to accept the ingredients and demanding compensation or the end of the business relationship.

Tips:

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

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

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

Inform European buyers about how the COVID-19 pandemic is affecting your delivery terms. Be open and transparent about issues, such as delivery times and costs.

Use the [Freightos freight calculator](#) to get instant international freight rate price information for shipping freight by sea and air. Doing so allows you to make a more informed decision.

5. Use the correct packaging

You must use the correct packaging as an exporter of natural ingredients. Failure to do so puts your natural ingredients at risk of damage, bringing serious consequences. These may include a reduction in the quality of your natural ingredients which can lead to European buyers refusing to accept them, resulting in financial losses, as well as buyers ending their business relationship with you. You are therefore urged to follow this tip as it reduces the likelihood of this happening. If you opt not to follow tip, it could cause damage to your business.

Common causes of damage to natural ingredients include incorrect transport, storage and handling in addition to contamination and theft. You must ensure your natural ingredients are protected against these common causes of damage. Using the right packaging material, handling ingredients carefully and a low risk of contamination are important factors to consider when selecting packaging for your natural ingredients.

Speak to your logistics provider to ensure your natural ingredients are well protected, and purchase transport and theft insurance. Your natural ingredients are likely to be handled by several people during the shipment process, so you should ensure they are safe and easy to handle.

You must display the relevant labels, symbols and texts concerning your natural ingredients on the packaging. Additionally, you can use this as an opportunity to market your business. Displaying your business logo and information, such as contact details, on the packaging is one way to do this.

Packaging requirements of European buyers often vary. For example, one buyer revealed that for them it is *“important that we do not have more than 25 kilograms in a bag”*. Another buyer stated that for their natural ingredients their specific packaging requirements are *“20 kilo bags with woven plastic material”*. You should therefore speak to buyers to find out about their specific requirements and consider trying to meet those requirements. Only commit to their requirements if you are sure you are capable of fulfilling them.

The EU is committed to environmental sustainability and sustainable growth in the EU, something which has been made clear in its [Circular Economy Action Plan](#) and [European Green Deal](#). As a result, increasing recyclability and reducing waste are key priorities for the EU.

The EU is putting pressure on European businesses to increase recyclability and reduce the amount of waste they produce through targets and policies. As a result, environmental sustainability is becoming more important for European buyers, a trend which is expected to continue. Thus, you are strongly urged to consider using recycled packaging materials and/or packaging materials that can be recycled. Additionally, you should also limit the use of plastic packaging and other resource-intensive packaging materials.

Tips:

Find out whether European buyers have any preferences regarding packaging as there are several suitable packaging types available and buyers may prefer certain types. Consider meeting buyer preferences, only commit to them if you are sure you are capable honouring them.

Ensure your natural ingredients are stored in the correct conditions to avoid the decline in quality. Do this by informing your logistics provider of the conditions in which they need to be transported.

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

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

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

6. Seek assistance

Several government agencies and non-governmental organisations and commercial organisations offer services to help exporters. A key advantage of using their assistance is that they are likely to give you vital information about the marketplace. Furthermore, assistance is often free, especially from government agencies and non-governmental organisations. These are key reasons to follow this tip. Conversely, if you opt not to follow this tip, it will be to your disadvantage, as you will miss out on information that is likely to increase your chances of successfully entering the European market.

Established government, non-government agencies and commercial organisations which can provide you with assistance include:

Government agencies

- The Centre for the Promotion of Imports from developing countries ([CBI](#)) is a government agency assisting exporters in developing countries who want to enter the European market. Specifically, it offers expert coaching, training and literature to help exporters access the European market.
- The Swiss Import Promotion Programme ([SIPPO](#)) provides support to selected Business Services Organisations (BSOs) that help exporters increase their exports to new markets. BSO employees receive expert training and coaching in their home country, which they then use to help exporters.
- The Import Promotion Desk ([IPD](#)) provides exporters from developing countries with opportunities to meet European importers, in particular from Germany. Additionally, the IPD also prepares market reports that help exporters enter the European market.

- [Open Trade Gate Sweden](#) supports companies from developing countries export to Sweden and the EU. It provides assistance with regard to rules and procedures and information about the market.
- The European Commission's [EU Access2Markets to Trade Helpdesk](#) helps exporters find detailed information on tariffs, rules of origin, product requirements, customs procedures and formalities, trade barriers and trade statistics.
- Established by the European Commission, Enterprise Europe Network ([EEN](#)) aims to help companies that offer all kinds of products and services innovate and grow internationally.

Non-governmental organisations

- The International Trade Centre ([ITC](#)) is a developmental agency of the United Nations that promotes sustainable trade. Most of its activities are aimed at exporters. ITC provides export management, supply chain management, quality management, packaging, and marketing and branding programmes.
- [Africrops](#) provides consulting and training services to exporters of natural ingredients from several African countries.
- The [IDH](#) helps exporters from developing countries export their products to the European market.
- The Institute for Agriculture and Trade Policy ([IATP](#)) helps exporters export to new markets.
- The International Centre for Trade and Sustainable Development ([ICTSD](#)) provides advocacy in the area of sustainable development in addition to training programmes for trade, information provision and research services.

Commercial organisation

- [Global Logistics Associates](#) provides lists of companies offering logistical services to exporters.
- [Logistics Alliance Germany](#) represents leading logistics service providers across all modes of transport.
- [Logistics France](#) lists companies offering logistical services in France. Lists of companies offering logistical services in other European countries can also be found by selecting a specific country under Europe.
- [EvoFenedex](#) has a network of Dutch trade and production companies that provide international operational and logistics services.

Government bodies in countries you are exporting to can also provide assistance, such as the Ministry of Trade or Business. Consider seeking their help, which is often free of cost.

Figure 2: Logos of well-known agencies supporting exporters in developing countries



Source: Various

Tips:

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

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

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

7. Meet common buyer requirements

Some European buyers of ingredients for natural health products only buy organic raw materials whilst others buy both organically- and conventionally-produced raw materials. The European market for organic products is driven by the growing consumer demand, a trend which is expected to continue. Additionally, organic raw materials are viewed as a sign of quality.

Indeed, when asked about the need for organic certification, one European buyer stated, “*organic certification is always needed*”, with another buyer stating: “*yes 100 percent, I don’t think any client would buy from us if it was not organically certified*”. Another buyer said: “*the vast majority of things we buy are organic, so they would need to be organic certified*”.

Thus, producers in developing countries should consider obtaining organic certification. The EU can provide [assistance](#) in producing and marketing organic ingredients. The [International Federation of Organic Agriculture Movements](#) (IFOAM) also provides assistance, from producing to trading organic ingredients.

Figure 3: EU organic certification logo



Source: ec.europa.eu

European buyers also often require natural ingredients to be sustainably produced according to social and environmental standards. This is likely to continue in the future, as consumers are increasingly demanding sustainably produced products. With regarding to social standards, one European buyer of natural ingredients for health products commented: “*we’ve got a lot of customers who require it... it gives us a bit of legitimacy and it’s something we value ethically*”.

Additionally, meeting environmental and social standards is often part of a company’s policy and strategy. For example, when asked about the importance of meeting social standards, one European buyer commented: “*we want to build a long-term relationship with our partners and that is why it is important that they earn fair money for their work, reflecting the value of their work*”. Buyers have also stated that they use environmental and social standards in their marketing stories.

Exporters in developing countries should therefore consider acquiring verification and certification showing their natural ingredients meet environmental and social standards. Table 4 lists popular certification schemes for sustainable production in the European market.

Table 4: Popular sustainability certification schemes in Europe

Name	Type	Description
UNCTAD BioTrade Initiative BioTrade Principles and Criteria	Environmental sustainability	Provides a framework for the conservation and sustainable use of biodiversity in business and trade

FairWild	Environmental sustainability	Standard for the sustainable collection, social responsibility and fair-trade principles for wild collected plants.
Fairtrade International	Social sustainability	Standards requiring producers and traders to meet a range of economic, environmental and social criteria.
Ecocert Fair Trade	Social sustainability	Standard concerning adequate and safe working conditions, fair pricing and the empowerment and independence of producers in addition to good environmental practices.
Fair for Life	Social sustainability	Standard concerning certification programmes for fair trade, responsible supply chains and Corporate Social Responsibility.

Figure 4: Examples of fair trade certification schemes



Source: Various

Tips:

Identify common requirements of European buyers of natural ingredients for natural health products and try to meet them. Be honest and do not make commitments you cannot meet, as this could lead to the end of your trading relationship.

Inform prospective buyers if your natural ingredients already meet social and environmental standards as it will give you an advantage in your efforts to enter the European market.

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

Consider whether there is a business case for you to invest in social and environmental standards. The demand for natural ingredients meeting social and environmental standards is expected to increase in the future.

8. Reach and make contractual agreements

Contracts with well-defined agreements protect your business. Contracts serve as a reminder and a record of

what needs to be done by both parties. Contracts form the basis of legal procedures if either the supplier or buyer breaches their agreement. Although contracts can be enforced in Europe, due to complexity, high costs and long waiting times this is not a straight-forward and easy process.

Key reasons to follow this tip include increased clarity in business relationships and agreements and regarding the rights of the various parties, as well as preventing misinterpretation of statements and agreements and helping avoid potential disputes and legal action.

Conversely, if you opt not to follow this tip, it could cause European buyers to end their business relationship with you, waste time, money and resources and reputational damage. You are therefore strongly urged to follow this tip.

Reviewing your contract

European buyers of natural ingredients for health products will have written contracts. You must carefully read their purchasing conditions (if provided) during the negotiation phase. Failure to do so puts you at risk of not properly understanding the contract and the key terms and conditions within it. For example, consequences of failing to meet agreed terms in addition to the early termination of contract.

You must have confidence in the company you are dealing with, and understand that you are making a legally binding commitment which can be enforced by them. Do not verbally agree, confirm or sign an incomplete contract, or one which you are unclear about.

Ensure you are satisfied and clearly understand the general terms and conditions of your contract, which should include the following:

- name and addresses of the parties;
- product specification – information about your product, for example conventional and/or organic;
- quantity - units of measure in both figures and in words regarding the number of containers, number of bags and so on;
- value – currency to be used must be specified;
- price agreements – price agreed with buyer;
- terms of payment – based on international payment terms, for example Cash in Advance and Letters of Credit. See the first tip in this report for further information;
- date of delivery or period over which delivery is to be made;
- insurance – information about insurance against loss, damage, or destruction of your goods during shipment to the buyer. See the second tip in this report for further information;
- terms of delivery – delivery terms must be stated based on [Incoterms](#), for example Delivered Duty Paid (DDP) and Delivered Duty Unpaid (DDU) See the fourth tip in this report for further information;
- charges and/or fees if applicable – for example taxes and duties;
- default proceedings – information about procedures in the event of parties defaulting on their contractual obligations; and
- dispute resolution proceedings – information about procedures in the event of disputes, such as arbitration, place of jurisdiction and governing law.

Tips:

- Seek legal assistance from an experienced lawyer in international trade if you need advice.
- Always ensure you fully meet the requirements outlined in your contract. Failing to do so may lead to you incurring penalties and your trading relationship with European buyers terminating early.
- Be open minded when working with buyers. Work towards reducing your risks whilst ensuring buyer needs are fulfilled.
- Quickly and clearly communicate any changes. Work with buyers to find solutions to any unexpected issues.

- See the International Trade Centre's [guidance on export contracts](#) which can act as a basic template of what a contract should contain.

Implications of COVID-19

Interviews with European buyers of natural ingredients for health products gave some insights into how the COVID-19 pandemic is causing significant disruption to global supply chains. Delivery times are increasing due to flight cancellations and port lockdowns while consignments are subjected to quarantine and lockdown measures. The production of natural ingredients in developing countries has also been restricted and in some cases completely stopped due to emergency measures introduced by the government.

Indeed, one European buyer of natural ingredients for health products stated, *"transportation, was very difficult"* as *"there were delays"*. Another buyer commented, *"the problem is for the import itself, delivery time is very long"*.

Delivery costs have also increased. For example, one buyer stated, *"transportation cost has increased"*, with another buyer stating, *"we have experienced higher transportation costs"*. Another buyer revealed *"we are now facing massive price hikes on freight, delays with containers and vessel sailings, port congestion and longer lead times"*.

It is not known how long the COVID-19 pandemic will last or what its long-term implications will be. You must therefore discuss the implications of COVID-19 with prospective buyers in addition to ensuring specific terms and conditions concerning it are included in your contract. Points of discussion and specific terms and conditions include who will be held liable for and consequences of:

- unexpectedly longer delivery times;
- increase in delivery cost;
- inability to meet agreed quantity volumes due to restrictions limiting and/or stopping production.

Tips:

Before signing a contract, ensure you fully understand it, as failing to do so may put your business and its reputation at risk. Seek legal assistance from an experienced lawyer in international trade if you need advice.

Ensure you meet all the requirements outlined in your contract before signing it.. If you fail to do so, you may end up incurring penalties and your trading relationship with European buyers could be ended early.

Be open-minded when working with buyers. Work towards reducing your risks whilst ensuring buyer needs are fulfilled.

Quickly and clearly communicate any changes. Work with buyers to find solutions to any unexpected issues.

See the International Trade Centre's [guidance on export contracts](#) which can serve as a basic template of what a contract should contain.

9. Get a legal advice in case of a dispute

When exporting natural ingredients for health products to Europe, many complex issues can arise. The main reason to seek legal advice is that it will reduce the likelihood of legal dispute. Conversely, if you opt not to

follow this tip, it will be to your disadvantage, as you could end up facing serious and complex issues. Possible examples include financial losses, reputational damage and a European buyer ending their business relationship with you. You are therefore strongly urged to follow this tip.

There are several matters that you need to be aware of to reduce the risk of legal disputes. Examples include:

- quarantine,
- contract interpretation,
- payment terms,
- contract interpretation,
- fees,
- liability,
- obligations and rights.

As an exporter, you should hire a legal advisor to mitigate legal risks related to your export activities. You can hire a legal advisor who is local to you or one that is located in Europe. By hiring a trusted legal advisor, you can minimise the risk, anticipate and proactively deal with potential legal issues. Your legal advisor may also help you draft a custom-made agreement to ensure your export activities go smoothly.

Tips:

Check your buyer's reputation and trustworthiness. You may want to visit them in person or do a background check online.

As the EU is a single market, your ingredients are in free-circulation once they reach any EU country. There is no customs duty and VAT can be handled automatically. However, this does not apply to the UK, as it is no longer part of the EU.

Anticipate any potential problems you may encounter when drafting your contract. For example, discuss a scenario when you are unable to meet delivery terms due to unexpected circumstances. Ensure your contract is protecting your business when it is impossible for you to meet agreed terms. You should also agree on dispute resolution procedure.

10. Check our reports for practical tips

CBI has published several reports on how you can enter the European market for natural ingredients for health products. A key reason to follow this tip and read these reports is that they increase the chances of you successfully entering and trading on the European market. These reports not only offer information, but also practical tips which can help you increase your chances of successfully and trading on the European market. If you opt not to following this tip, it will be to your disadvantage.

Tips:

Read the CBI study on [what requirements natural ingredients for health products must comply with to be allowed on the European market](#). This will help you familiarise yourself with the legal requirements you must meet in order to enter the European market, additional requirements frequently imposed by European buyers of natural ingredients and requirements for niche markets.

Read CBI's studies on promising export products in this sector. There are reports on [aloe vera](#), [baobab](#), [essential oils hibiscus moringa](#) and [turmeric](#), among others.

Read the CBI study [what is the demand for natural ingredients for health products on the European](#)

[market](#), as it provides information about the most promising European markets for natural ingredients for health products.


See the CBI tips for [finding buyers in the natural ingredients for health products sector](#). Topics covered include targeting European buyers, participating in industry events, connecting with sector associations and having an online presence.

See the [CBI Study on tips on doing business with European buyers](#), which provides valuable information on how to build and maintain relationships with European buyers.


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

Please review our [market information disclaimer](#).

Follow us for the latest updates

(opens in a new tab)  Twitter

(opens in a new tab)  Facebook

(opens in a new tab)  LinkedIn



RSS