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## Introduction

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The evolution of the European spice industry follows closely that of European colonial history in the 17th and 18th centuries. Wherever colonies were established the cultivation and trade in spices rapidly developed. Indeed the search for new sources of spices and securing the trade routes to these regions was a major reason for colonial exploration, conquest and intra-European trade rivalry. French, English and Dutch involvement in the Caribbean, the Indian sub-continent, the East Indies and the Indian Ocean Islands was intimately linked with the spice trade. Many of the former British colonies, now independent Commonwealth nations, have been involved in spice production and trade for hundreds of years. Exports of spices are today of major importance to the economies of Commonwealth countries such as India, Sri Lanka, Grenada, Jamaica, Tonga and Tanzania.

Although the European spice industry has undergone substantial changes since these early developments, the product range and the global pattern of trade has not altered radically. Five spices pepper (black and white), capsicums (including paprika, chillies and pimento), vanilla, cinnamon/cassia and saffron - dominate the trade.

Origins of supply include Indonesia, the major source of spices into the EU, supplying pepper, nutmeg and cinnamon. Morocco is the second most important exporter to the EU, supplying paprika, coriander, saffron, fennel and a range of other products. Madagascar, the third largest exporter, provides pepper, vanilla, cinnamon, and cloves. Only three other countries are significant suppliers: India, Turkey and Brazil. Variations between member states in their sources of supply is still marked, although with the integration of the EU into a single market this is declining. There is still a tendency for countries with ex-colonies to import a large proportion of their supplies from these origins.

This handbook does not cover all spices; it concentrates on those which are either important in terms of volume and value or where opportunities for new entrants are considered better than average. Products like cloves and nutmeg have not as a result been included while other smaller items like saffron have been listed because of potential opportunities for new suppliers.

In the retail markets, spices are generally sold pre-packed in ground or whole form. These usually take the form of glass bottles or cardboard packets. Refills are available for many of the products. In some grocery stores and health food shops spices are sold in open sacks. Customers bring their own containers. More and more spices are being sold in the form of spice mixes or sauces. Pourable sauces is the fastest growing area in the spice retail sector.

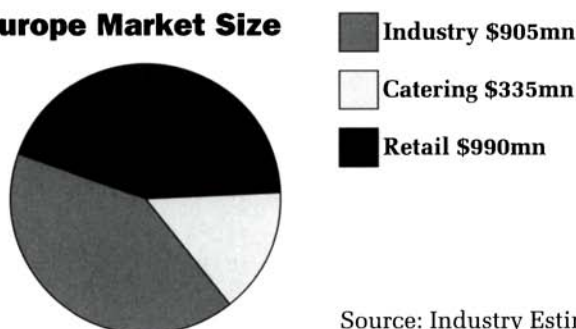
Because of environmental and health concerns there has been a growth in the sale of organic herbs and spices. Although it is the fresh organic herb

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market which is growing fastest, there is no doubt that organically certified spices will be seen more and more on the market. At present none of the major brands have entered this field largely because of lack of assured quality suppliers. Another related development has been that of “diet spices”: low sodium, low calorie or fat-free sauces and seasonings.

**Table 1**

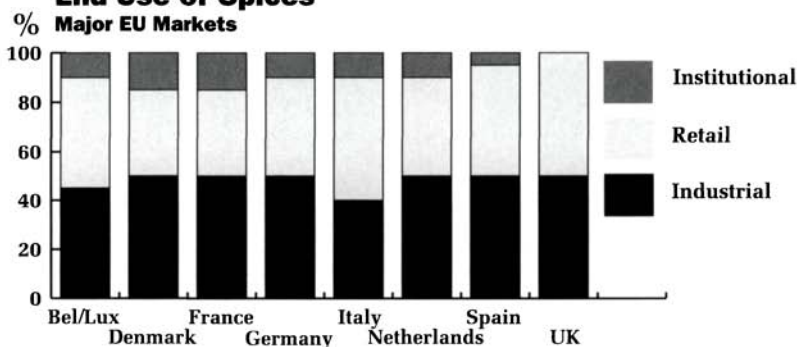
### Total Europe Market Size



Source: Industry Estimates

**Table 2**

### End Use of Spices



There is a continuing debate over the merits and demerits of processing and packing spices at origin. Technically there are few constraints to local processing, although EU tariffs provide some form of trade barrier. The main area of concern is over quality control. Increasingly stringent EU-wide food safety laws make it more and more difficult for new producers, be they overseas or in Europe, to afford the cost involved in setting up quality control systems. These have become one of the most important cost

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elements of the spice trade. The large multinationals like McCormick and Burns Philp encourage processing at source and have set up joint ventures in places like India, Indonesia, Mexico and Brazil to provide ground spices in bulk, particularly pepper, chillies and paprika.

The sale of retail pack spices from origin is not expected to grow substantially. Apart from the health and safety issue, suppliers need to offer a complete range of perhaps 20 to 50 different products and must spend very sizeable sums of money on advertising and promotion. This cannot be done from outside the EU. An alternative strategy is for overseas producers to invest in processing facilities within Europe.

In the case of spice extracts, particularly oleoresins, production at origin is of growing importance. The growth in the industrial processing of spices has paralleled that of the ready-to-eat food and beverage business. Wherever spicy flavour ingredients are required for application to food and drink products, spice extracts either in the form of oleoresins, essential oils, encapsulated spices or occasionally spray dried products are used. The objective of spice processing of this kind is to extract the aromatic and pungent principles from the spices in order to produce a concentrated product of uniform colour and flavour. The additional advantage is that the product hygiene can be strictly controlled and it can be easily stored and transported.

The European spice industry is going through a period of consolidation and concentration. Importing and processing is being handled by fewer and fewer large companies. Many are operating on a European or worldwide scale. The buying power of these companies puts the small grower and exporter in the Commonwealth at a considerable disadvantage in the bargaining process. To counteract this, growers will themselves have to start to work together and build long term links with these major concerns.

As more and more big European spice houses source their raw materials directly in the countries of origin, there will be increasing contracts between growers and producers and consequently quality controlled growing. Such collaboration can be as joint ventures and involve investment on the part of the spice producer in the growing country, as is already done for paprika, onions and garlic and other raw materials for the industry. The advantages for both sides are obvious: increased influence over the raw material quality on the part of the spice processor and guaranteed prices, transfer of know-how and technology for the suppliers in the country of origin. Frequently the foreign partner also invests in improved agricultural production facilities and in cleaning and drying and quality control laboratories.