

— The Structure of the European Spice Market —

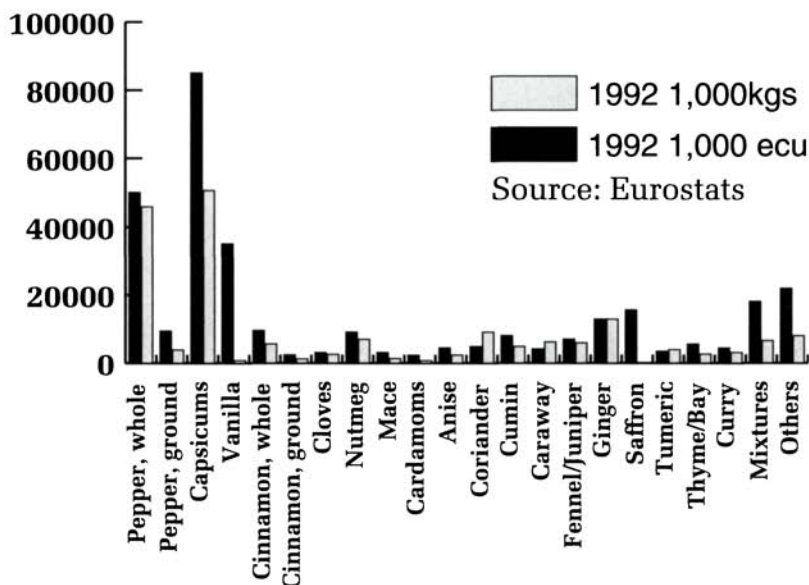
Market Size

The European herb, spice and seasoning market is estimated at ECU 1,675.9 million (US\$ 2,229 million): 44% of this is represented by the retail trade, 41% by spices for industrial use and the remaining 15% goes into catering (see Table 1). There is considerable variation between member states largely dependent on the importance of the processed food sector. In all cases the industrial and institutional (catering) sector combined exceeds the retail trade. This trend is expected to continue (Table 2).

The volume of spices imported into the EU is around 178,000 tonnes (valued at ECU 320 million). This has grown from around 151,000 tonnes in

Table 3

EU Imports of Major Spices (Volume and Value)



1989 (valued at ECU 287 million). By far the most important product in terms of volume is pepper. In terms of value capsicums (paprika, chillies and pimento) is the most important group of spices traded (Table 3). The most important consumer of spices is Germany with 30% of sales and 30% of imports. France is the second largest consumer with 13% of sales and 15% of imports. The Netherlands, the UK and Spain are the other main

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consumers and importers of spices. Together these countries account for over 70% of the market (Table 5).

The three new EU member states - Austria, Sweden and Finland - are not very significant importers of spices and obtain most of their supplies from other EU states.

Taken collectively, Indonesia is the major source of spices into the EU (mainly pepper, nutmeg and cinnamon). Morocco is the second most important exporter, 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 (see Table 4).

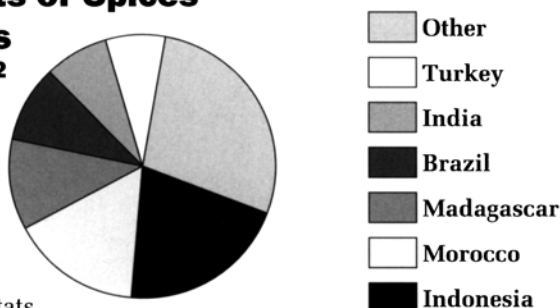
Development

Although historically the spice industry in each of the main European nations developed largely independently, the creation of the European Union has done much to encourage its integration. Rotterdam, Hamburg, London and Marseille have traditionally been the main entrep(t centres for spices and many of the biggest importers are based in these cities. Some of these traders have themselves diversified into the processing and packing of spices. The majority of these companies are involved in importing other commodities and foodstuffs. Some, however, specialise almost exclusively in one or two particular spices. All now operate on a European-wide basis (Table 6).

Apart from the large trading houses there are, throughout Europe, a series of small importers (often of ethnic origin) who supply either whole or ground spices to health food shops, small grocers and market traders. As health

Table 4

EU Imports of Spices and Herbs By Value 1992



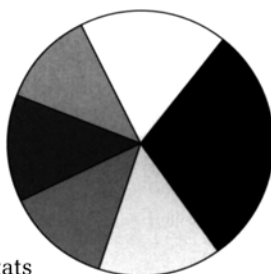
Source: Eurostats

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Table 5

EU Imports of Spices

& Herbs
Share of
1992 Value



Source: Eurostats

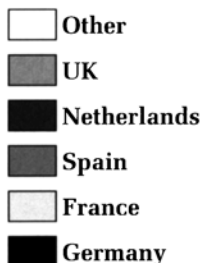
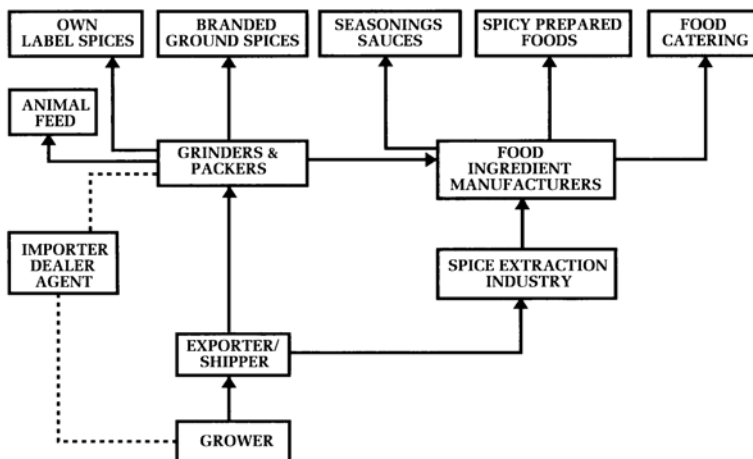


TABLE 6 - STRUCTURE OF THE SPICE INDUSTRY



and sanitary legislation becomes more rigorous it will be more and more difficult for these small companies to survive. They are presently the target of much criticism concerning quality control and product testing methods.

Most spice grinders and packers in Europe were originally established as small family concerns. Many of them have now been sold to large, often multinational companies, specialising in spices and other food ingredients. The consolidation of the industry is taking place very rapidly. Small companies can no longer afford the very high capital costs of new processing and packing machinery and above all sophisticated testing and quality control equipment. Probably of greater importance is the growing cost of marketing and promotion. Only the larger food manufacturers can

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afford the enormous advertising and promotion costs involved in selling branded products. The market is increasingly dominated by two food groups: McCormick Inc. of the USA (turnover ECU 1.27 billion), the world's largest spice company, and Burns Philp and Co of Australia (turnover ECU 2.1 billion), which has become, through the acquisition of Ostmann in Germany, Euroma in the Netherlands and British Pepper and Spice in the UK, the largest supplier of spices in Europe. These two concerns are estimated to control more than 25% of the European market. Other major companies in Europe include Fuchs (which operates in Germany and France) and Ducros (which operates in France and Spain). CPC International, a large US company, also has interests in spices throughout Europe. Many of the smaller companies prefer to supply to the catering trade or pack on contract for the supermarkets.

Processing Sector

The spice extraction industry, producing spice oils, oleoresins or concentrated spice extracts and flavours, is now mainly in the hands of companies manufacturing a range of food ingredients or flavours and fragrance compounds. Food ingredient manufacturers will produce such products as colorants, stabilisers, gum resins and emulsifiers as well as spice extracts. Many of these are still small independent firms (e.g. East Anglia Food Ingredients, UK, or Aralco, France). The industry reports a slow trend away from processed spice extracts to the natural product. People prefer to see the spices and herbs they are consuming in processed foods rather than taste invisible flavours.

Institutional Sector

The flavours and fragrance companies almost all now operate on a global scale, producing customised flavour compounds for the large food manufacturers. Ten companies have more than 70% of this market worldwide. They include Quest (part of Unilever), Haarmann & Reimer (part of Bayer), Givaudan (part of Hoffmann Laroche) and International Flavors and Fragrances.

The rapid growth in convenience foods and the spread of fast-food chains will have a powerful influence on the future structure and direction of the spice industry. The ready-to-eat food and catering sector are in many cases larger consumers of spices and spice products than the household market. Many of the spice processors are themselves diversifying into food processing and food ingredient manufacturing. Companies like McCormick, Kuhne and Amora all supply pickles, relishes and mayonnaise as well as a wide range of pourable spice sauces. It is in this area, not in packaged spices, that most observers see growth in the market.

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Germany

Germany is much the largest market for spices in Europe. The estimated value of sales of spices, herbs and related produces is ECU 503 million, representing 30% of the EU market. There are more than 60 companies that are involved in the grading, packing and processing of spices, with another 15 or more importers and distributors. Germany is also the largest importer, accounting for around 30% of the ECU 320 million European import market. Because of the central role it plays in both the packaged and industrial spice sector Germany tends to set the pace in terms of legislation, business practices, research and development.

Between 1987 and 1994 the German spice industry increased its production of spices, seasonings, herbs and related products from 46,000 to 80,000 tonnes. The value of sales also rose from ECU 327.8 million to ECU 470.0 million. Despite this industrial growth, imports of raw spices have not grown significantly in the last five years. Imports in 1994 at around 50,000 tonnes were only 2,000 tonnes more than in 1990. The value of imports has also remained more or less constant (ECU 107 million in 1990 and ECU 108.5 million in 1994).

Pepper is the major product with imports of 16,000 to 17,000 tonnes (31% of EU imports). The second most important spice is paprika with imports of around 10,000 to 12,000 tonnes (35% of EU supplies). In value terms vanilla is the third major product imported (35% of EU imports). All other products imported are relatively small by comparison (see Table 7).

German households have the highest per capita consumption of spices in Europe. Spiced bread and bakery products are widely consumed - hence the high consumption of cinnamon/cassia (33% of EU imports), caraway seed (52% of EU imports) and cumin. The Germans are also the largest producers and consumers of processed meat products. These require a wide range of spices for both flavouring and colouring purposes. Most important of these is paprika. Germany is also the largest market for herbal teas in Europe. This gives rise to a substantial demand for spices like fennel, anis and lemongrass which are used to produce tisanes.

Germany is also a major exporter of spices and spice products. Exports are between 10,000 and 11,000 tonnes annually, particularly pepper, paprika, vanilla and mixed spices.

There is a growing concentration of retailing in the hands of the supermarkets, with European giants like Tengelmann, Metro and Rewe becoming increasingly important (ten companies account for 70% of turnover). In addition, discount stores like Aldi operate throughout Europe. A similar concentration has taken place in the food processing and catering sector. This has given rise to a corresponding rationalisation process amongst the producers and processors of spices.

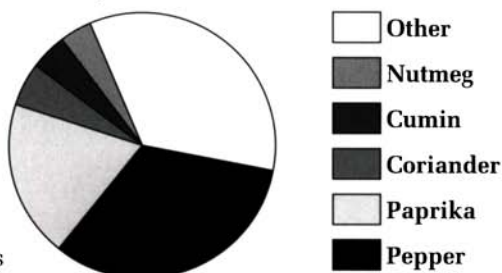
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Despite the increase in the size of the industry due to the absorption of the old East German spice industry the number of processors has declined from around 75 in 1970 to 60 today. Ten companies today process 75% of the spices produced and imported into Germany. The turnover of the largest companies in this sector range between ECU 25 million and ECU 100 million.

Table 7

German Spice Imports 1994

Source:
Trade Statistics
Total Vol: 50,500 t



The number of importers has also declined either because they have diversified into processing and packing or have merged or been acquired. Many of the traditional Hamburg or Bremen based importers like Cornhels and Bosse or Henry Lamotte import a wide variety of products other than spices. Others importers specialise in one or two commodities only, like Jost Bauer (paprika) and Aust & Hachmann (vanilla). Although German importers dominate the European market for vanilla, paprika and cumin, German spice processors also often obtain their supplies from importers in London and Rotterdam. The larger companies also import direct, sometimes from their own operations (e.g. Fuchs in Brazil).

Multinational companies have been very active in Germany, with CPC International (US owners of Ubenä), Burns Philp (Australian owners of Ostmann), BSN (France) and Ferruzzi (Italy) all investing heavily in spices. McCormick is also keen to enter the German market but early attempts have been blocked by EU monopoly legislation.

Despite the fact that Germany is a federal state with strong regional variations in taste, three or four major brands still dominate the sector. The remainder is sold by a multitude of small producers. Ostmann is the brand leader (around 40% of the market), followed closely by Ubenä and Fuchs. Other nationally important brands are Alba and Wagner. There is strong competition between these companies to capture market share by means of price cutting, market promotion and new production development. Own brand product is developing, albeit more slowly than in France or the UK

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(see Table 8).

The processing of spices for industrial use is extremely important in Germany. Along with the catering sector this represents more than 60% of the total turnover of the spice industry. Some companies like Haarmann & Reimer and Dragoco are multinational flavour and fragrance houses. Others like Raps, Hermann Laue, AVO and Moguntia concentrate almost entirely on serving the industrial spice market.

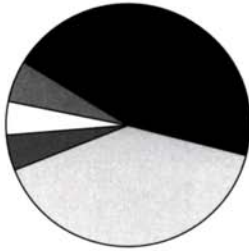
Health food stores and small grocery stores also sell spices and herbs. These are sometimes sold loose or in simple packages. There is increasing concern amongst the industry as to whether these smaller outlets are able to abide by the stringent health and safety checks now required by law to prevent outbreaks of food poisoning. The industry was badly affected by the discovery of salmonella, aflatoxin and heavy metal contamination of spices sold in Germany. Against this background, health and safety issues dominate all discussions with prospective importers. A series of new food laws are being drafted to prevent further occurrences.






The German Spice Industry Association has over 60 full-time and 7 associate members. All the main producers belong to the Association, which is part of the German Federation of Food Ingredient Manufacturers (Verbandsgruppe Ernährungsindustrie). This organisation works closely with the BLL (Bund für Lebensmittelrecht und Lebensmittelkunde) and the ESA (European Spice Association) to improve spice standards and promote the safe use of spice products.

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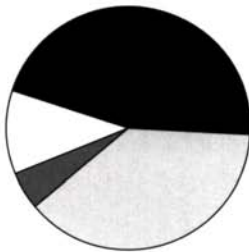
Table 8





UK Market Shares



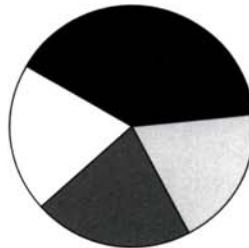
-  Lion Foods
-  British Pepper & Spices
-  Bart Spices
-  Other (incl. own brand)
-  McCormick/Schwartz





FRANCE Market Shares



-  Amora
-  Fuchs
-  Other (incl. own brand)
-  Ducros

GERMANY Market Shares



-  Fuchs
-  Ubena
-  Other (incl. own brand)
-  Ostmann

Source: Industry Estimates

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France

France is the second largest spice market in Europe with estimated sales of ECU 217.8 million. This represents 13% of the total EU market. France has over 15% of the EU import market, second only to Germany. Total imports are between 22,000 and 26,000 tonnes valued at ECU 47 to 49 million. In terms of value the most important spice is vanilla, reflecting the pivotal role that France plays in the European vanilla trading and processing industry. France imports around 35% of Europe's vanilla, almost exactly the same amount as Germany. Pepper is the most important spice imported in terms of volume and second in terms of value. Paprika and capsicums are the third largest import while saffron imports represent more than 18% of EU supplies, reflecting France's close connection with this industry.

France has one of the highest per capita consumption levels of herbs and spices in Europe. This is due to its high culinary standards, its old colonial ties and its former domestic production base. France is still one of Europe's largest producers of herbs and spices, mainly items like sage, fennel and tarragon, grown in the south of the country.

Of the total market for herbs and spices estimated at 837 million francs, 41% is pepper, 31% other spices, 24% herbs and 4% speciality products. The pepper and spice market has not been growing, although herbs have been growing at 8% and specialities at 19% a year.

Like other EU states the import of spices into France has been basically stagnant, any increase in volume being offset by a decline in unit value. The main sources of spices into France reflect the relative importance of products imported and its old colonial links. Madagascar is a major source of vanilla, cinnamon and pepper. The Comores and Tahiti supply vanilla. Paprika comes from Morocco and Spain.

The market for branded spices is dominated by Ducros (Erdania Beghin Say), which has more than 50% of the market as well as major share of the Spanish market. The only major competitor is Amora (Danone group), which has 17% of the market and also strong links in Belgium (Liebig Benelux). Both these companies are also involved in the sale of pickles, ketchup, vinegar and sauces.

Supermarket and discount house own labels are of increasing importance in France with around 20% of the market (see Table 8).

There has been a growing demand for exotic food in France. As a result, sales of speciality spice mixes for Mexican, Thai and Indian cooking have been growing rapidly, through specialist companies like Martignon, Laco and Thiercelin.

France has a long tradition of fragrance and flavours compounding based around Grasse and Paris. Many of these companies are actively involved in

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spice processing and sometimes even cultivation. Vanilla, fennel, anis and pepper are all extracted for the perfumery and food industry by companies like Sanofi, Mane and Robertet while well established specialist trading houses such as Arco and VF Aromatique have strong links with French overseas territories and ex-colonies.

France is a significant exporter of spices and spice extracts. Exports are around 5,000 to 8,000 tonnes valued at 11 million francs. This is partly re-exports and partly locally produced material, especially crops grown in France's overseas territories. This includes vanilla and cloves from such places as Reunion and Mayotte, or mace and nutmeg from Guadelope and Martinique.

The main association is the Syndicate National des Transformateurs de Poivres, Épices, Aromates et Vanille (SNPE) which has 22 members. Association "La Route des Épices" is a small promotional organisation involved in spices. This is closely linked to COVIP which is responsible for the promotion of condiments, vinegars, peppers and spices.

Netherlands

The Netherlands is the third largest spice industry in Europe with a turnover estimated at ECU 192.7 million, or 11.5% of the market. The Netherlands, despite its small population, has 15% of the EU market. This reflects its importance as an entrep(t centre. Pepper, paprika and nutmeg dominate imports into the Netherlands. It is the major importer of nutmeg and mace in Europe (45-50% of the total) as well as the largest importer of caraway seed (48%). The Netherlands is also the largest producer of this spice in Europe.

The large immigrant community and the country's old colonial ties have stimulated local demand for products like ginger, cloves and cinnamon. More than 35% of the Netherlands' pepper imports, 60% of its nutmeg and 70% of its cinnamon come from Indonesia.

The Netherlands is a major re-exporter of spices both to other EU countries and to the USA. Exports have grown from 18,000 to more than 22,000 tonnes in the last three years. The most important exports are pepper, caraway (imported and home grown), mixed ground spices and spice flavourings. These are handled by large well established trading houses like Catz International, Man Produkten and Van Eeeghen International

The Netherlands is a major centre for spice processing. Three of the world's largest flavour and fragrance houses have their European manufacturing base there (Quest, International Flavors and Fragrances (IFF) and Tastemaker). All these firms produce oleoresins, essential oils and natural spice extracts using spices imported into the Netherlands. Apart from the

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above, there are four or five companies specialising in the processing and packing of spices in the Netherlands. These include Euroma (owned by Burns and Philip), Conimex (owned by CPC), Van Sillevoldt (Silvo brand) and the Huybregts Groep.

The Nederlandse Vereniging Voor De Specerijhandel (Netherlands Spice Association) has 31 members including most of the leading traders and processors in the country. The association works closely with the Dutch Standards Institute (NNI) in the drawing up of appropriate national standards. There are 17 NEN norms applying to herbs and spices.

The Dutch spice decree outlines national legislation concerning spices. These include tolerances and cleanliness norms and regulations concerning herbicide and pesticide uses and permitted residual levels. It should be noted that ethylene oxide has been banned since 1991 for the use of cleaning spices destined for the Dutch market. On the other hand Dutch food laws do allow the sale of irradiated spices, this being one of the few European countries where irradiated product is frequently found.

UK

The UK is the fourth largest herb, spice and seasoning market in Europe ranked in terms of total sales, with a turnover estimated at ECU 160.8 million (9.6% of the EU market). The UK ranks just behind the Netherlands and Spain as the fifth largest importer of spices in Europe.

UK imports of spices are in the region of 32,000 tonnes valued at ECU 40.5 million. Like most of Europe, pepper is the largest single spice imported. Traditionally the UK imported mainly white pepper but a noticeable trend away from white pepper is occurring. During the last five years sales have declined by 13% against a 50% increase in overall sales of pepper and pepper products. Ginger is also an important import item. The UK imports 45% of EU supplies.

As the EU member with the largest Asian community, imports of spices for use in curry powder such as coriander (37% of EU imports), turmeric (44% of EU imports), cumin (37% of EU imports) and capsicums are larger than any other country in Europe. Mixed curry powder imports are more than 1,600 tonnes (66% of EU supplies). The UK's historical ties with the Commonwealth, its large Asian and Caribbean ethnic population and its importance in the entrep(t trade ensure its central role in the European spice industry.

The UK is also a major exporter of curry powder, prepared sauces and spicy foods. These account for more than 30% of the UK's ECU 11 to 12 million spice export business. Although the UK is a relatively sophisticated and well developed spice market, per capita consumption of herbs and spices is low by international standards. Domestic sales of spices are estimated at ECU 70 to 76 million.

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Food retailing in the UK market is dominated by the supermarkets (see Table 9), which control nearly 70% of the market for foodstuffs. Most supermarket chains tend to offer only one or two branded spices plus their own label products. Schwartz is the dominant brand with over 50% of the market. Three other companies - Lion Foods, Bart Spices and British Pepper and Spices (Millstone brand) - together have 16% of the market. All the main producers supply own brand products for the supermarkets, which account for 31% of the market (the largest own brand market in Europe, see Table 8).

Foreign investment in the UK spice sector is very significant. McCormick of the USA which owns Schwartz, Glentham International (a supplier of industrial seasonings) and European Food Ingredients (a food processing intermediary) dominates the market. British Pepper and Spices, owned by Burns Philp of Australia, and Lion Foods, owned by Chinney Holdings of Hong Kong, are the other main players.

The UK is a major centre for the manufacture of curry powders, spicy sauces, pickles and pre-prepared Asian foods. Companies like Veeraswamy's (part of West Trust), Sharwoods (part of RHM), Trustin Foods and TRS (Suterwalla) manufacture and export worldwide. The UK is also a major producer of fragrances and flavours with leading multinationals such as Quest International, Bush Boake Allen and specialist firms like Lucas Ingredients and James Dalton (part of the Swiss flavours house Firmenich). These companies produce and distribute spice oleoresins, spice oils and a whole range of specialist blend spice extracts and value-added food ingredients. The Seasonings and Spice Association has around 23 members, including all the major spice packers and spice ingredient manufacturers.

As on the continent the market for traditional packaged spices is generally stagnant. Growth in the market is in the area of value-added products like curry sauces, spicy ready-made foods and specialist items like lemon and dill seasoning mix, spice and herb pastes, or exotics like cajun sauces.

Spain

Spain has become the fifth largest market for spices in Europe with a turnover estimated at ECU 153 million. Unlike other European countries Spain is a major producer of spices. These include paprika, saffron, aniseed and fennel. Because of a gradual decline in local production Spain has had to increase imports of spices. Spain has nearly a 13% share of the EU market. This is mainly paprika (33% of the EU market) and saffron (29% of the EU market), and to a lesser extent cinnamon (13% of EU imports). Because of its geographical position Spain has helped develop spice production in Morocco. This is its main source of paprika and a growing supplier of saffron.

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There are close commercial links between France and Spain, with companies like Ducros, Amora and Theircelin having major interests in Spain. Local firms include Distribution Vilascar which supplies the Dani brand, and "La Barraca". There is a large spice and essential oil processing industry based around Murcia and Grenada. This includes companies like Pimursa and Ramon Bordas.

Spain is a major exporter of spices. The level of exports varies depending on the level of domestic production of saffron and paprika. Exports of paprika vary from 13,000 to 17,000 tonnes. The total value of Spanish exports is ECU 49 to 55 million. Exporters are represented by Afexpo, a trade organisation with over 20 members.

Table 9. Concentration in the European Food Retailing Sector

1990	Supermarkets <2500 m ²	Hypermarkets >2500 m ²	Retail Density*
Portugal	605	18	102
Greece	5362	18	184
Italy	3370	86	171
Belgium	1919	-	141
Spain	2500	102	134
Luxemburg	5	-	116
Denmark	944	49	100
France	7050	790	97
Ireland	n.a.	n.a.	90
Germany	8000	996	85
UK	1950	644	81
Netherlands	2050	40	80
			107

Source: Retailing in the European Single Market 1993.

* = Retail outlets per 10,000 people.

Portugal has the highest number of shops per head. The Netherlands has the greatest degree of concentration. Germany and France have the largest number of hypermarkets.

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Table 10 Major Food Retailers

	Turnover (Billion ECU)	Country
Tengelmann	22.8	Germany
Metro (plus non-food)	22.6	Germany
Rewe	20.1	Germany
Carrefour	16.2	France
Intermarché	15.4	France
Le Clerc	15.3	France
Aldi	13.4	Germany
Edeka	13.2	Germany
Sainsbury	13.0	United Kingdom
Promodes	10.9	France
Tesco	10.8	United Kingdom
Spar	10.1	Germany
Casino-Rallye	10.0	France

Source: Retailing in the European Single Market 1993

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Table 11 Main Outlets in Europe

	SUPERMARKETS	DISCOUNT HOUSES
Belgium	GB, Deihaise le Lion, Courtheoux, Frades-Match	Aldi, Colruyt
Denmark	Farør, Spar/Vivo, Mege	Fakta, Netto, Aldi
Germany	Tengelmann, Metro, Rewe, Edeka	Aldi, Phrs (Tengelmann), Netto
UK	Sainsburys, Tesco, Coop (CRS), M&S, Argyll, ASDA, Safeway, Gateway	Kwik-Save, Low Cost, Aldi
Spain	Pryca, Cecotinsa, Alcampo, Hipercor	Dirsa (Promodes) Jobac (Mercasa)
Greece	Prisunic, Hellaspar, S, Klaventis, Alfa-Beta	
France	Intermarché, Le Clerc, Carrefour, Promodes, Auchan, Cascno	Carrefour, Aldi, Novma
Italy	Standa, GS, Sidis, Coop Italia, Esselunga	Scucho, Meta, Familia
Ireland	Dunnes, Quinnsworth, Pennys (Primark)	
Netherlands	Edah (rendex), De Boer, Albert Heijin (Ahold), Hermans	Basis Market (vendex), Aldi
Luxumburg	Monopol, Coop des Chementos, Cactus, Match, Fisher	

Source: Retailing in the European Single Market 1993