

## CBI MARKET SURVEY

**The spices and herbs market in Slovakia****Publication date: March, 2010****Introduction**

This CBI market survey gives exporters in developing countries (DCs) information on some main developments in the spices and herbs market in Slovakia. The information is complementary to the information provided in the CBI market survey 'The spices and herbs market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.eu/marketinfo>.

**1 Market description: consumption and production****Consumption**

To give an idea of the demand for different product groups, apparent consumption (production + imports - exports) is calculated. Please apply these data with care, as they can only be used as an indication of the market. Also see chapter 1 of the CBI market survey covering the EU market.

Slovakia is among the smallest consumers of spices and herbs in the EU, accounting for 1% of total EU apparent consumption. In 2008, the country's apparent consumption amounted to 3.5 thousand tonnes. However, consumption achieved a significant annual average increase of 5.6% in the period 2004-2008.

The largest product group in 2008 was paprika, chillies & allspice, which amounted to 1.6 thousand tonnes and increased at an annual average rate of 7.0% since 2004. Apparent consumption of spice seeds, the second largest product group in 2008, amounted to 701 tonnes and remained stable during the review period. Apparent consumption of pepper, the third largest product group, amounted to 519 tonnes in 2008, decreasing at an annual average rate of 2.4% since 2004.

The markets for those product groups which are consumed in much smaller quantities predominantly expanded in the review period, with the exception of product groups vanilla, cloves and nutmeg, mace & cardamom. The strongest decline was observed in apparent consumption of vanilla, which fell at an annual average rate of 47% between 2004 and 2008. On the other hand, the strongest growth in apparent consumption was observed in the product group ginger, which increased at an annual average rate of 50%.

Finally, the market for the product group 'other spices and herbs' showed significant growth rates. Its apparent consumption increased to 85 tonnes in 2008, indicating an annual average increase of 12% in the review period.

Industry sources indicate that there is still a lot of uncertainty on the market due to the recent economic crisis, and that traders are reluctant to build stocks. There is an overriding hesitance in making predictions on how the spices and herbs market will develop in the coming years.

**Consumption trends**

Despite considerable economic growth in recent years, Slovakia still has one of the lowest incomes per capita in the EU. Furthermore, recent economic developments in the country have led to even tighter consumer budgets, thereby leading to a slight reduction in the growth rate of food purchases. Furthermore, there is a strong preference among Slovakian consumers to buy domestic products, which makes it less attractive for developing country (DC) exporters of

spices and herbs to find a market in Slovakia. There is, however, an increasing demand for convenience and healthy products, just like in many other European countries.

The Slovak organic market is quite underdeveloped when compared to other EU countries, the relatively low per capita income in the country being a major obstacle.

For more information on consumption trends, please also refer to the CBI survey covering the EU market for spices and herbs.

### **Production**

According to Eurostat, the area destined for the cultivation of officinal herbs, aromatic plants and plants for seasoning in Slovakia amounted to 1.0 thousand hectares in 2008. In terms of volume, Slovakia's harvested production of aromatic plants and plants for seasoning amounted to 1.4 thousand tonne in 2008, decreasing at an annual average rate of 6.1% since 2004.

The statistical database of the Food and Agriculture Organization of the United Nations (FAOSTAT) reports a total production of 56 tonnes of spice seeds in 2008, indicating an annual average decline of -2.1% since 2004.

Slovakia is a relatively small producer of herbs regarding the area under cultivation, with relevant spices and herbs being caraway, coriander and sage.

### **Production trends**

Organic farming is increasing considerably in Slovakia. In mid-2007, the organic area in Slovakia amounted to more than 120 thousand hectares, covering almost 6% of total agricultural land. Slovakia exports about 90% of its organic production, due to the lack of domestic spending power. More specifically, the area destined for the cultivation of organic officinal herbs, aromatic plants and plants for seasoning increased strongly, by 199% annually, to reach 321 hectares in 2008.

### **Opportunities and threats**

- + Consumption of spices and herbs has increased considerably in recent years, including paprika, chillies & allspice, which is the largest product group.
- Despite considerable growth in terms of consumption, Slovakia is still a small consumer of spices and herbs.
- Furthermore, regarding consumption trends, the consumer and economic climate for spices and herbs in Slovakia is not very favourable to DC exporters.
- The organic market is still limited in Slovakia, thus it is not an interesting country for exporters of organic spices and herbs in DCs.

For more information on opportunities and threats to exporters in DCs stemming from trends and patterns in consumption of spices and herbs, please refer to chapter 7 of the CBI market survey, covering the spices and herbs market for the EU.

## **2 Trade channels for market entry**

Spices and herbs, mostly entering the EU as whole, un-ground products, share the same trade channels. The most important partners for DC exporters to the EU are a small number of specialised importers and brokers. Organic spices and herbs are most often imported by importers specialised in organics. Direct trade by processors and, to a lesser degree, food processors has become more prevalent, but here large and consistently high-quality volumes are relevant. It should be noted that, in Slovakia, a more substantial part of spices and herbs is imported from traders in other EU countries, instead of directly from DCs. The most important end-users are the retail sector and the catering sector, and especially the food processing industry.

The main trade channels for spices and herbs are shown and further explained in the CBI market survey covering the EU market for spices and herbs. It should be noted that, throughout the various trade channels, different prices and margins apply to spices and herbs. There is no specific information about the prices and / or margins for spices and herbs in Slovakia.

Companies which could be of interest for DC exporters include:

- Prograst s.r.o. - <http://www.progast.sk/index.php>
- Adivit - <mailto:adivit.ni@nextra.sk>

Good *Internet sources* for encountering trade partners in Slovakia, like importers, agents and processing industries are the following:

- Food world - <http://www.thefoodworld.com> - an extensive on-line food business directory, with full EU coverage. Condiments, spices and herbs are a separate product group.
- Europages - <http://www.europages.com> - on-line business directory, with full EU coverage. Condiments, extracts and spices are a separate product group, falling under the category of 'Food & related products'.
- HerbImporters.com - <http://www.herbimporters.com> - provides contact information of 135 European importers of herbs and herbal medicine products at a cost of US\$15.
- SpiceImporters.com - <http://www.spiceimporters.com> - provides contact information of 220 European importers of spices, seasoning and flavouring at a cost of US\$20.

*On line market places* such as those below are also useful:

- Agronetwork.com - <http://www.agronetwork.com/global>
- Organic-market.info - <http://www.organic-market.info> - on-line magazine for organic trade
- Spices Trade world - <http://spices.tradeworlds.com>
- Ingridnet - <http://www.ingridnet.com> - for ingredient suppliers

For more information on *prospects* for the spices and herbs market in Slovakia:

- FAO's statistical database FAOSTAT, available at <http://faostat.fao.org> - is a valuable source.
- Information on the site of EHGA (<http://www.europam.net>) and information from organisations mentioned in chapter 6.

### 3 Trade: imports and exports

#### Imports

Slovakia is a relatively small importer of spices and herbs, accounting for 0.9% of total EU imports, ranking the country in 18<sup>th</sup> place. In 2008, Slovak imports totalled € 9.7 million/ 3.6 thousand tonnes, signifying an annual average increase of 9.1% in terms of value and of 5.5% in terms of volume during the review period.

Import growth was mostly the result of increased imports from other EU countries, indicated by an annual average growth rate of 11% between 2004 and 2008. This can be related to Slovakia's accession to the EU in 2004. Imports from DCs remained stable during the review period. In 2008, 84% of total imports came from EU countries, while only 13% came from DCs. The share of DCs in Slovakian imports was far below the EU average of 50%.

The Czech Republic and Spain were the leading suppliers of spices and herbs, each accounting for 19% of total imports, followed by Hungary (13%) and The Netherlands (9.1%). Except for the Czech republic, all of the above-mentioned countries saw their supplies increasing during the review period in terms of value as well as volume. Supplies from the Czech Republic decreased by 3.8% annually in terms of volume during the review period.

In 2008, paprika, chillies & allspice was the largest product group imported (48%), followed by pepper (21%) and spice seeds (14%). Imports of all the above-mentioned product groups increased in terms of value (7.5%, 7.2% and 19% per annum respectively). However, in terms

of volume, imports of mixtures decreased by 1.5% annually, while imports of saffron remained stable. In terms of volume, imports of pepper showed an average annual increase of 5.4% during the review period.

### Exports

In 2008, total exports were estimated at € 1.9 million/ 136 tonnes. Having a market share of only 0.3%, Slovakia is among the smaller exporters of the EU. Remarkable is the fact that exports increased enormously in terms of value (+27%), but remained stable in terms of volume in the period 2004-2008.

Exports were almost completely directed to EU countries in 2008, achieving a growth rate of 29% during the review period. Of total exports, 69% was consigned to the Czech Republic, followed by Poland (8.3%) and Spain (5.7%).

### Opportunities and threats

- Despite considerable growth in terms of import, Slovakia is still among the smaller EU importers of spices and herbs. Therefore, Slovakia is a less interesting country for DC exporters.
- Furthermore, imports from DCs decreased considerably. As a result, their share has descended even further below their share in total EU imports of spices and herbs. Regarding the country's EU accession, this trend is likely to endure.
- In the midst of the economic crisis there are many uncertainties and this could lead to an overall scaling back on consumption. It is not clear how and to what extent this will affect the trade in spices and herbs to and within the EU.

Exporters should take into account that the same trend can be an opportunity for one exporter and a threat to another. Please, review these opportunities and threats according to your own situation. Chapter 7 of the CBI market survey 'The market for spices and herbs in the EU' presents an example of an analysis of whether a trend/development is an opportunity or a threat.

### Useful sources

- EU Expanding Exports Helpdesk - <http://exporthelp.europa.eu>
- Eurostat – official statistical office of the EU - <http://epp.eurostat.ec.europa.eu>
- Understanding Eurostat: Quick guide to easy Comext  
[http://epp.eurostat.ec.europa.eu/newxtweb/assets/User\\_guide\\_Easy\\_Comext\\_20090513.pdf](http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf)

## 4 Price developments

Prices of spices and herbs can be found in the CBI market survey covering the EU market, as the indications of prices given there do not differ from those in Slovakia. Prices of spices and herbs depend on origin and buyer preferences (quality demanded, order size etc.), and on negotiations with partner companies. Prices provided in the market survey covering the EU should be used as a reference point only. Margins charged by different intermediaries are influenced, among others, by the type of spice or herb, current and expected future harvest situation, availability and number of sources, the level of demand and trends in prices.

Useful sources for price information are:

- ITC Market News Service (MNS) - <http://www.intracen.org/mas/mns.htm>
- Public Ledger - <http://www.agra-net.com>
- International Pepper Community - <http://www.ipcnet.org>
- Indian Spices Board - <http://www.indianspices.com>

## 5 Market access requirements

As a manufacturer/ supplier in a DC preparing to access Slovakia, you should be aware of the market access requirements of your trading partners and the Slovakian government. For

information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select spices and herbs and Slovakia in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packit.htm>

Information on tariffs and quota can be found at <http://exporthelp.europa.eu>

The standard VAT rate in Slovakia is 19%, which, at the same time, is the VAT rate applied to food products.

## 6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications. For more information on doing business in Slovakia, visit the following websites:

### **Trade associations**

- Food Chamber of Slovakia / Potravinárska Komora Slovenska (PKS) - <http://www.potravinari.sk/page285en.html>

### **Trade press**

- World News Report - <http://www.einnews.com/slovakia/newsfeed-slovakia-international-trade>

### **Trade fairs**

- Food and Function - <http://www.foodandfunction.com> - Trade for Functional Food. The last event was held 9-11 June 2009 in Zilina, Slovakia.
- Biostyle - <http://www.eventseye.com/fairs/f-biostyle-11494-1.html> - International Trade Fair of Healthy Nutrition and Ecology. The next event will be held 30 September - 2 October 2010 in Bratislava, Slovakia.

### **Other**

- A possible source of cultural specifics of Slovakia could be: <http://www.kwintessential.co.uk/resources/global-etiquette/slovakia.html>
- Information on Slovakian business culture can be found at: <http://www.worldwide-tax.com/slovakia/slopractice.asp>

This survey was compiled for CBI by ProFound – Advisers In Development

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