CBI MARKET SURVEY

The spices and herbs market in the Czech Republic

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments in the spices and herbs market in the Czech Republic. 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.

The Czech Republic is a relatively small consumer of spices and herbs in the EU, accounting for 1.8% of total EU consumption. Consumption amounted to 5.9 thousand tonnes in 2008. Overall, the market for spices and herbs decreased, indicated by an annual average decrease of 8.0% in the period 2004-2008.

This decline was mainly caused by a strong fall in apparent consumption of paprika, chillies & allspice, by far the largest consumed product group. It declined steadily by a rate of 15%, to 3.3 thousand tonnes in 2008. In contrast, the market for ginger, the second largest consumed product group, increased very strongly, amounting to 947 tonnes in 2008. Pepper consumption amounted to 748 tonnes, but it fluctuated strongly.

Of the product groups consumed in much smaller quantities, cinnamon (189 tonnes), cloves (36 tonnes) and turmeric (32 tonnes) performed less well, as their apparent consumption decreased on average. The apparent consumption of other spices (393 tonnes), mixtures (148 tonnes), nutmeg, mace & cardamom (108 tonnes), saffron (4 tonnes) and vanilla (0.3 tonnes) all experienced average annual growth between 2004 and 2008. Data on spice seeds are not available.

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

Czech consumer tastes and trends follow the same path as the rest of Europe; fast-paced lifestyles have led to growth in convenience food, packaged food and take-outs while concerns over health and wellness have led to growth in organic products. Furthermore, ethnic and regional foods are becoming more popular. Therefore, there is potential for exporters in developing countries in the export of organic spices and herbs to the Czech Republic.

The Czech Republic has been the fastest growing organic food market in the EU. It grew by 70% between 2006 and 2007, also making it one of the fastest growing markets in the world. It reached € 52 million in 2007 and it is expected that the market will grow significantly in the near future. However, organic food sales are still a minor part of total food sales (<1%) and relatively low compared to other, more mature, organic markets in Europe.

The economic crisis did result in a scaling back in consumption in general; however, this does not immediately translate into a fall in apparent consumption of spices and herbs. Spices and herbs are also used in cheaper food products.

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

Production
According to the statistical database of the Food and Agriculture Organization of the United Nations (FAOSTAT), the Czech Republic is a medium sized producer of paprika, chillies & allspice. However, its production decreased considerably, by 22% and reached 1.5 thousand tonnes in 2008.

Furthermore, the statistical database of the European Union, Eurostat, indicates that the total production of officinal herbs, aromatic plants and plants for seasoning in the Czech Republic amounted to 3.9 thousand tonnes in 2008. This number also indicates a steady decrease in production in the Czech Republic, from 7.7 thousand tonnes in the year 2004. Of this total production, 1.4 thousand tonnes concerned caraway production. Other herbs used in food, which cover substantial areas of cultivation, include peppermint, lemon balm, thyme, long plantain, burdock, marshmallow, valerian and garden angelica. Stinging nettle is mainly collected in the wild.

Production trends
Along with the expanding market for organic food, organic production of food is also increasing. In 2008, the share of organically farmed land area accounted for in total 342 thousand hectares, approximately 8% of the total agricultural land area. In that respect, the agricultural development is based upon a Rural Development Programme to support (organic) agriculture, with the target to reach 10% organic farm land in 2010. In terms of organic farming, the Czech Republic is considered to be one of the more mature countries in the EU.

More specifically, the area destined for the cultivation of officinal herbs, aromatic plants and plants for seasoning increased strongly, by 19% annually, to reach 191 ha in 2008. This resulted in an even stronger growth of output, which reached 976 tonnes that same year. Another 53 ha is still under conversion.

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

Opportunities and threats
- The Czech Republic has a relatively small market for spices and herbs and showed an overall decline in apparent consumption, mainly caused by a sharp decline in demand for the largest product group, paprika, chillies & allspice.
+ The market for ginger, however, could offer opportunities. It is the second most consumed product in Czech Republic and experienced strong and steady growth.
+ Furthermore, the organic market is growing extremely fast. Although this resulted in a firm increase in organic production, demand is still much larger, meaning that a considerable share needs to be imported. This development offers interesting possibilities for exporters of spices and herbs in developing countries (DCs).

For more information on opportunities for and threats to exporters in developing countries 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 developing country exporters to the EU are a small number of specialised importers and brokers. It should be noted that, in the Czech Republic, only a very limited percentage of spices and herbs is imported from developing counties. Most domestic needs are sourced from EU traders. Therefore the traders and brokers most relevant for developing country producers are located in Western Europe. 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. 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 for spices and herbs. There is no specific information about the prices and / or margins for spices and herbs in the Czech Republic.

Companies which could be of interest:
- Benkor - http://www.benkor.cz
- Cano CZ - http://www.cano.cz
- BMC Brno - http://www.bmcbrno.cz
- Rohacek - http://www.rohacek.eu

Good *Internet sources* for encountering trade partners in the Czech Republic, like importers, agents and processing industries are the following:
- Food world - http://www.thefoodworld.com/ - an extensive online food business directory, with full EU coverage. Condiments, spices and herbs are a separate product group.
- Europages - http://www.europages.com – online 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 (updated in 2009).
- SpiceImporters.com - http://www.spiceimporters.com - provides contact information of 220 European importers of spices, seasoning and flavouring at a cost of US$20 (updated in 2009).

Online market places such as those below are also useful:
- Agronetwork.com - http://www.agronetwork.com/global
- Organic-market.info - http://www.organic-market.info – online magazine for organic trade.
- Spices Trade Worlds - http://spices.tradeworlds.com
- IngrIDnet - http://www.ingridnet.com (for ingredient suppliers)

For more information on *prospects* for the spices and herbs market in the Czech Republic:
- Of importance is FAO's statistical database FAOSTAT, available at http://faostat.fao.org.
- Furthermore, Czech trade associations mentioned in chapter 6 and the Czech statistical agency (http://www.czso.cz/eng/redakce.nsf/i/home) can be a source of information.
- The 2004 IENICA report is fairly outdated but still offers relevant information. It describes the situation for the spices and herbs market in the Czech Republic and other EU member countries - http://www.ienica.net

3 Trade: imports and exports

Imports

The Czech Republic ranks among the average-sized importers of spices and herbs in the EU, taking the 13th place in the EU and accounting for 1.6% of total EU imports. Imports amounted to € 18 million / 6.3 thousand tonnes, signifying an annual average increase of 14% in terms of value and 4.8% in terms of volume.

Since the Czech Republic entered the EU in 2004, intra-EU imports grew considerably by 16% annually, while imports from developing countries decreased significantly 33% respectively. However, imports from extra-EU countries increased immensely by 110% during the review period. All in all, the share of imports from EU countries accounted for 94%, whereas the share of imports from extra-EU and developing countries amounted to 4.8% and 1.6%, respectively.

The leading suppliers to the Czech Republic are Poland (19%), Austria (16%), The Netherlands (13%) and Germany (12%). In accordance with the mentioned outstanding increase of imports from extra-EU countries, the annual increase of imports amounted to 355% for Canada and 155% for Israel, both in value terms. The share of imports from Canada and Israel accounted for 2.9% and 1.5%, respectively, in the year 2008. Imports directly from DCs are very limited, accounted for only 1.6% and are decreasing sharply.

Paprika, chillies and allspice are the largest product group imported (35%), followed by pepper (21%) and spice seeds (14%). The imports of all spices and herbs described here, except for cloves, increased in value in the period 2004 to 2008, of which spice seeds rose the most, by 20% in terms of value and 11% in terms of volume.

Exports
Total exports were estimated at € 5.4 million, amounting to 2.1 thousand tonnes in 2008. The Czech Republic is among the average-to-small exporters of spices and herbs in the EU, accounting for only 0.8% of total EU exports. Exports from the Czech Republic intra- and extra-EU countries increased substantially during the review period. EU countries, having an 80% share of the exports, increased by 14%, whereas export outside the EU accounted for 19% of the export, achieving an annual increase of 63%.

Most exports go to other EU countries (80%). About 29% of the exports is supplied to Slovakia, followed by Austria (20%), Norway (16%) and Poland (13%).

Opportunities and threats

- The Czech Republic is an average-sized trader in spices and herbs in the EU. Imports have generally increased in the period reviewed. However, DCs supplied only a very small share of these imports. This does not offer interesting opportunities for DC suppliers.

\+ Nevertheless, the organic food market is growing explosively, for which the Czech Republic is relying on imports of organic products. Therefore, organic suppliers in DCs might find opportunities there.

- Uncertainties on the markets, due to the recent economic crisis, give rise to developments in consumption and production which are not entirely foreseeable. It is not clear how and to what extent this can 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

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 the Czech Republic. 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

5 Market access requirements

As a manufacturer/ supplier in a developing country preparing to access the Czech Republic, you should be aware of the market access requirements of your trading partners and the Czech 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 Czech Republic 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

Tariffs and quota applicable in the Czech Republic are the same as for the EU. Information regarding these market requirements can be found in the survey covering the EU market.

The standard VAT rate in the Czech Republic is 19%. The VAT rate generally applied to foodstuffs is 9%.

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 the Czech Republic, visit the following websites:

Trade associations
- Federation of the Food and Drink Industries of the Czech Republic / Potravinárská Komora Ceské Republiky (PKCR) - http://www.foodnet.cz

Trade press
- Bio Obchod (Organic Trade), monthly for B2B communication on everything from the local and global organic food markets - http://www.greenmarketing.cz
- Organic-market.info - http://www.organic-market.info - online magazine for organic trade.

Trade fairs
- Biostyl 2010 - http://www.eventseye.com/fairs/f-biostyl-11680-1.html - International Trade Fair of Healthy Nutrition, Ecology and Healthy Lifestyle. The next event will be held 9-11 April 2010 in Prague, Czech Republic.
- Harmonie - http://english.expomenu.ru/expo/harmonie*2010.html - Trade Fair for Healthy Nutrition and Natural Products. The next event will be held 08-10 October 2010 in Prague, Czech Republic.

- Salima - http://www.bvv.cz/salima-gb - International Food Fair. The most recent event was held 2-5 March 2010 in Brno, Czech Republic.

Other
- A possible for source of cultural specifics of the Czech Republic: http://www.kwintessential.co.uk/resources/global-etiquette/czech.html,
- Information on Czech business culture can be found at: http://www.businessculture.com/czech/index.html, or: http://www.worldwide-tax.com/czech/czerpractice.asp

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