CBI MARKET SURVEY

The spices and herbs market in Austria

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Introduction
This CBI market survey gives information on some main developments in the spices and herbs market in Austria. 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.

Austria has a small-to-average-sized market for spices and herbs in the EU, accounting for 2% of total EU apparent consumption. Between 2004 and 2006, apparent consumption increased, but in the following years it declined to 6.9 thousand tonnes in 2008. This was in line with stagnation in the total Austrian food market. In the period 2004-2008, the market in Austria developed very differently for the various product groups described here.

In 2008, for example, paprika, chillies and allspice was the largest product group consumed, reaching 2.2 thousand tonnes. In the period 2004-2008, apparent consumption fluctuated constantly. On the other hand, the consumption of pepper, the second-largest product group, increased strongly between 2004 and 2005 and then steadily decreased again to 1.5 thousand tonnes, the same level as in 2004. Strong increases were seen in the apparent consumption of ginger and other spices, amounting to 813 tonnes and 523 tonnes in 2008 respectively. No growth rates are available for mixtures. In 2008, their consumption was 649 tonnes. Strong decreases were seen in the market for spice seeds, cloves, vanilla and saffron. Austrian consumption of the latter three was very limited.

Nutmeg, mace & cardamom and cinnamon consumption increased strongly between 2004 and 2006 and then both decreased towards 2008, resulting in an apparent consumption of 284 tonnes and 281 tonnes respectively. Turmeric is one of the smaller product groups consumed. Its consumption increased until 2007, but declined in 2008.

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
Although a rather small country, Austria boasts one of the highest per capita incomes in the EU, making it a relatively small but wealthy community. Austrian 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 natural and organic products. The development of the organic market stands out. The organic sector has succeeded in growing from a niche market into an increasingly important market sector. According to the International Trade Centre (ITC), 85% of Austrians

buys organic food occasionally. Together with Denmark, Austria has the highest market share of organic food products. Organic products represented around 5.3% of total food sales in 2008, totalling to € 740 million. Austria is the fifth largest organic food market in the EU. Organic food sales grow by double-digit numbers. Growth of the organic retail sector generates growth in the sector.

There is an increasing demand in the market for organic food for regionally produced organic products, which can be a constraint for organic producers in developing countries (DCs). A trend moving in the opposite direction is the interest in ethnic and regional foods, which are becoming more popular, especially among the younger generation. For more information on consumption trends, please also refer to the CBI survey covering the EU market for spices and herbs.

Besides organic, also the market for Fairtrade certified products is growing very strongly. With a retail value of over € 65 million, Austria is the fifth largest EU market for Fairtrade products. Compared to 2007, this market had grown by 23% in only one year.

These trends can be translated to developments in the demand for spices and herbs. Increased demand for convenience food, packaged food and take-outs has led to an increase in industrial demand for spices and herbs. Similarly, increased interest for ethnic foods has spurred the demand for exotic spices, mixtures and spice seeds. Furthermore, the organic trend has resulted in an increase in the demand for organic spices and herbs.

The economic crisis did result in a scaling back in consumption; 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.

Production
The statistical database of the Food and Agriculture Organization of the United Nations (FAOSTAT) does not provide information about the production of the selected spices and herbs. Eurostat states a production area in Austria of 4 thousand ha for officinal herbs, aromatic plants, plants for seasoning in 2008. This means an average annual increase of 2.7%. Provisional data indicates a fall to 3.3 thousand ha for 2009. The most important species cultivated are caraway, parsley, dill and oregano, basil and marjoram.

Production trends
Austria is not only considered to be a leader in organic farming in terms of market penetration, the country is also leading in terms of organic production in the EU. According to the Global organic farming statistics (Organic world, 2009), Austria has the highest share of organic area in total agricultural land (13.8%) in Europe and is ranking second on a global level. Approximately 384,000 hectares are used for organic cultivation, with a tendency to increase. Since the demand for organic products is increasing steadily, in Austria as well as in other countries, further expansion of organic agriculture can be expected. Particularly for the Austrian market, the trend is moving towards organically produced (herbal) tea plants and seed spices. Of special interest is in that context is the Austrian manufacturer Sonnentor - http://www.sonnentor.at -, which started to sell concept store franchises for organic tea, spices and herbs in Austria.

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 total market for spices and herbs declined between 2006 and 2008, which was in line with a stagnating food market. Nevertheless, an increased interest, for example, in ethnic food does imply changes in the variation of available spices and herbs, in favour of spices and herbs supplied by DCs.

+ Interesting products could be ginger, nutmeg, mace & cardamoms, turmeric and cinnamon as their markets have shown growth.
+/- Also the market for paprika, chillies and allspice could offer opportunities, as it is the largest product group. However, it decreased somewhat.
- Spice seeds, cloves, vanilla and saffron are less interesting, as their markets declined considerably. Opportunities for DC exporters of herbs are also limited, as Austria is one of the bigger producers of herbs in the EU.
+/- The market for organic food is mature and still growing. This also reflects growing demand for organic spices and herbs. Organic production of herbs in Austria is growing considerably and there is an increased demand for regionally produced products. Therefore, as in the conventional market, opportunities are mainly found in the market for organic spices.

For more information on opportunities for 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, most of which, in the particular case of the Austrian market, are located in Germany and The Netherlands. 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 the case of Austria, 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 Austria.

Companies which could be of particular interest for developing country exporters are:
- Wiberg - http://en.wiberg.at/index.htm
- Kontanyi - http://www.kotanyi.com/

Good *Internet sources* for encountering trade partners in Austria, like importers, agents and processing industries are the following:
- Food world - http://www.thefoodworld.com/food_exporters_importers - 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 (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 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 Austria:
- FAO's statistical database FAOSTAT, available at http://faostat.fao.org – is a valuable source.
- Furthermore, Austrian trade associations mentioned in Chapter 6 of this survey, and the Austrian statistics agency (http://www.statistik.at) can be a source of information.
- A good source for encountering producers of herbs and spices in Austria is the EHGA website at http://www.europam.net/EU%20members.htm. Specific country representatives should be most knowledgeable on these issues.
- The International Trade Centre provides information on trends in organic consumption within EU member countries - http://www.intracen.org/organics
- The 2004 IENICA report is fairly outdated but still offers relevant information. It describes the situation for the spices and herbs market in Austria and other EU member countries - http://www.ienica.net

3 Trade: imports and exports

Imports
Austria is an average-sized importer of spices and herbs, taking 8th place in the EU and accounts for almost 3.6% of total EU imports. Imports amounted to € 41 million / 13 thousand tonnes, indicating an average annual increase of 9.8% in terms of value and 5.0% in terms of volume.

Due to its landlocked location, Austria has no ports. Therefore, Austria has to import most of its products from other EU countries. Of the spices and herbs imported, 86% concerns intra-EU imports. Germany was the largest supplier of spices and herbs to Austria, accounting for more than half of the total imports (57%) in terms of value, followed by The Netherlands (11%), Spain (7.2%), France (5.8%) and the Czech Republic (1.8%).

Only 8.5% of Austrian imports is directly sourced in DCs. However, these imports showed the highest average annual growth rates. Imports from DCs increased by 17% in terms of value and by 16% in terms of volume. Especially imports from Vietnam and China increased considerably.

Pepper and paprika, chillies and allspice are the largest product groups imported by Austria, both accounting for 22%, followed by mixtures (19%). All imports of the spices and herbs mentioned increased. Of all product groups, the imports of saffron grew the fastest, by 30%. Only the imports of vanilla declined, which is still a sign of normalisation after heavily increasing prices in the early years of 2000, due to natural disasters and political instability in Madagascar, the main vanilla supplier.

Spice traders face difficult trading conditions in times of crisis. There is much uncertainty and confidence is low. Buyers have been running down stocks and buy only when needed. It is not clear how this has affected the import growth in 2009.

Exports
Total exports were estimated at € 33 million/ 5.7 thousand tonnes in 2008. With a market share of 4.6%, Austria is a comparatively large exporter of spices and herbs within the EU, ranking in 6th place.

In contrast to the growing total EU export of spices and herbs in the period 2004 to 2008, Austrian exports witnessed a decline in the same period, both in terms of value (8.2%) and in terms of volume (10%).

Austrian exports to EU countries accounted for 69%, more than double the extra-EU and DC exports together. During the review period, especially Austrian exports to extra-EU countries decreased significantly by more than 30%, whereas exports to EU and DCs indicate a slight increase. Exports to Germany accounted for 21%, followed by Hungary (10%) and the Czech Republic (8.8%).

Austrian imports of spices and herbs are relatively high compared to local consumption. At the same time Austrian production of spices is limited, while exports are relatively large. This demonstrates that Austria is a major re-exporting country, especially in the case of spices, supplying almost all other European countries.

Opportunities and threats

+ As imports of spices and herbs from DCs increased considerably, the average-sized Austrian market, in terms of import, provides some opportunities for DCs. If the market share of developing country suppliers continues to grow, Austria could increasingly become an interesting market for developing country suppliers.
+ The relative large size of its imports and exports, compared to its consumption and its limited production, seem to demonstrate that Austria is a major re-exporting country, supplying the countries in Europe. This offers opportunities for DCs exporters, more than the size of the Austrian market for spices and herbs would appear to offer at first glance.
- Spices and herbs are, however, still mainly imported from other EU countries.
- 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 do not differ from those in Austria. 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 by, among others, 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 developing country preparing to access Austria, you should be aware of the market access requirements of your trading partners and the Austrian 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 Austria 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 Austria 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 Austria is 20%. The VAT rate generally applied to food and agricultural products is 10%.

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 Austria, visit the following websites:

Trade associations
- Austrian Federal Chamber of Commerce - http://portal.wko.at/wk/startseite.wk
- The Austrian Foreign Trade Promotion Organisation - http://www.advantageaustria.org
- Fachverband Lebensmittelindustrie (FIAA) - http://www.dielebensmittel.at

Trade press
- Forum Ernährung Heute - http://www.forum-ernaehrung.at (available only in German)
- Handelszeitung - http://www.handelszeitung.at/ireds-20146.html (available only in German)
- Organic-market.info - http://www.organic-market.info – online magazine for organic trade.

Trade fairs
- Alles für den Gast Wien - http://www.gastwien.at/ - Trade Fair for Catering, Restaurant, Hotel & Food industries. The next event will be held April, 24-27 2010 in Vienna, Austria.
- Alles für den Gast Salzburg - http://www.allmountain.at/en2009/index.html - Trade Fair for Catering, Restaurant, Hotel & Food industries. The next event will be held April, 10-14 2010 in Salzburg, Austria.

Other
- A possible source of cultural specifics of Austria is: http://www.cba.uni.edu/buscomm/InternationalBusComm/world/europe/austria/austria.html
- Information on Austrian business culture can be found at: http://www.worldwide-tax.com/austria/auspractice.asp, or: http://www.businessculture.com/austria/index.html

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