

## CBI MARKET SURVEY

THE NATURAL COLOURS, FLAVOURS AND THICKENERS  
MARKET IN GERMANY

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**Report summary**

This CBI market survey discusses, amongst others, the following highlights for the natural colours, flavours and thickeners market in Germany:

- Germany is a large market for natural colours, flavours and thickeners in the EU. Its high industrial demand for these product groups can largely be explained by the presence of several processing facilities of food ingredients multinational companies, and their demands for raw materials of colours, flavours and thickeners to fulfil their processing needs. Furthermore, the German food market is the second largest in the EU, behind France, and German consumers appreciate natural and organic ingredients more than consumers in other EU countries.
- Germany is a small producer of raw material for natural colours, flavours and thickeners in the EU, which further adds to the need for imports. It is, however, one of the leading producers of pectins in the world, and the country is the largest potato starch producer in the EU.
- Germany is the largest importer of natural colours, flavours and thickeners in the EU, with imports amounting to € 422 million in 2008. Between 2004 and 2008, the value of imports increased by 8.3% annually on average. The largest imported product groups are gum and seaweed thickeners and essential oils.
- Developing country suppliers accounted for 39% of the imported value in 2008, which was slightly higher than the EU average. Moreover, their market share increased, as their supplies to Germany increased by 11% annually during the review period. The most interesting product groups for developing country suppliers are essential oils, and thickeners, i.e. guar, agar-agar and gum Arabic.

This survey provides exporters of natural colours, flavours and thickeners with sector-specific market information related to gaining access to Germany. By focusing on a specific country, this survey provides additional information, complementary to the more general information and data provided in the CBI market survey 'The natural colours, flavours and thickeners market in the EU', which covers the EU market 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: industrial demand and production****Industrial demand*****Total market size***

Germany is a large market for natural colours, flavours and thickeners in the EU. Its strong industrial demand for these product groups is explained by the fact that many multinational food ingredients companies, like Chr. Hansen and Döhler, are located in Germany. These food ingredients manufacturers create a strong demand for raw materials of natural colours, flavours and thickeners. Moreover, Germany is the second largest food and drink market in the EU, with a turnover of € 147 billion in 2007, which represents 16% of the total turnover of this market in the EU. It further confirms the large demand for colours, flavours and thickeners by this industry.

Between 2003 and 2007, the German food industry increased by 2.5% annually on average, indicating that demand for food ingredients is also growing. Compared to the EU on average, Germany has relatively large meat, dairy and tobacco industries. This indicates that demand for natural colours, flavours and thickeners used in these products is relatively large in Germany.

**Table 1.1 Manufacturing of food products, beverages and tobacco in Germany**

Food and drink industry sectors	Share in EU food industry, 2006	Share in German food industry, 2007	Average annual change in German food industry, 2003-2007
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>2.5%</b>
Meat	*19.1%	20.0%	5.3%
Dairy	12.7%	15.2%	4.1%
Beverages	14.1%	11.1%	-1.9%
Tobacco	7.1%	10.5%	0.2%
Fruit and vegetables	5.6%	5.2%	3.4%
Animal feeds	*5.5%	4.3%	4.7%
Oils and fats	4.4%	3.9%	1.8%
Grain mill products and starch	3.5%	3.5%	5.8%
Fish	2.4%	1.2%	3.4%
Other food products	24.7%	25.2%	1.6%

Source: Eurostat (2009)

\* Data from 2005

Fast-growing sub-sectors in the period 2003-2007 were dairy and cheese (5.1% annually on average), production and preservation of meat (8.8%), farm animal feed (7.2%), grain mill products (5.3%) and poultry meat (8.8%). This implies that demand for colours, flavours and thickeners used in these products is growing significantly as well, such as annatto and turmeric used in dairy products, and paprika and carrageenan in meat products.

Demand for many natural colours, flavours and thickeners slowed down during the first year of the economic crisis, as traders and users reduced their stocks and working capital, and shortened their contracts. Since the second half of 2009, however, trade has picked up again, as inventories ran low and had to be replenished.

### **Product groups**

#### *Colours*

Germany is estimated to be the second largest market for colours in the EU, accounting for approximately 20% of the total EU market. The presence of several multinational food colour producing companies, like Döhler and Sensient Food Colors, largely contributes to Germany's high consumption of raw material for natural colours. As confirmed by the company Sensient, Germany is, after the UK, the second largest consumer of natural food colours.

#### *Flavours*

Natural flavours and essential oils are also in high demand in Germany. The presence of a large food industry in the country is further evidence of Germany's strong demand for raw materials for the manufacturing of natural flavours and essential oils. According to Mindbranch (2007), German consumers like to experiment with new flavours and have a preference for at least some variety in the foods they eat. Strong flavours are generally preferred to milder ones.

Germany is by far the leading market for liquorice in the EU. It is the home of some of the largest liquorice traders and extraction companies, as well as leading liquorice confectionery producers. Major confectionery producers using liquorice include Katjes, Haribo.

### *Thickeners*

Thickeners are also in high demand in Germany. The presence of several large importers of thickeners is further evidence of Germany's high demand. Gum Arabic, guar gum, locust bean gum and xanthan gum are especially relevant to this demand.

### **Market segmentation**

The market segmentation in Germany is similar to the market segmentation in other EU countries. Therefore, please refer to the CBI survey on 'The natural colours, flavours and thickeners market in the EU' for an elaborate description of the market segmentation.

Germans spend more on organic food than other European nationalities. The country is the largest market for organic products in Europe, with a sales value of € 5,850 million in 2008, which was one third of the total European market. Organic food accounted for 3.1% of the total German food market in 2007, when per capita consumption amounted to € 64. An ever-increasing number of Germans is looking to avoid synthetic additives and is taking an interest in natural products containing traceable ingredients.

### **Trends in industrial demand**

- Demand for low-energy, low-fat food is increasing. The growing demand for healthy and natural ingredients is driving fruit-based flavours such as orange and apple in the confectionery sector, and vegetable-based flavours such as tomato in the savoury sector.
- The increasing demand for low-sugar food products stimulates demand for products such as pectins, which are sugar substitutes.
- There is a growing demand for convenience food with a long shelf-life, which often includes more food additives, such as natural food colours. Compared to other EU countries, this trend is more evident in Germany.
- Moreover, Germany expects growth of no less than 44% between 2006 and 2011 in the German ready-meals market. It is expected that combining convenience with perceived health benefits, such as in organic or the use of natural ingredients, will fuel demand (Mintel, 2007).
- Consumption of organic food is increasing in Germany. Between 2007 and 2008, consumption increased by 30%.
- An increasing demand is also observed for organic food ingredients which are used in low quantities in the end-products, which is generally the case for colours, flavours and thickeners. These ingredients usually account for less than 5% of the end-product.

For more information on trends, please also refer to the CBI survey covering the EU market for natural colours, flavours and thickeners.

### **Production**

The production described here focuses on the production of raw materials, since the processing into end-products has already been described in the previous section.

### **Total production**

Germany is a small producer of raw materials for natural colours, flavours and thickeners in the EU. Although Germany has a large food-processing industry, hardly any production of raw materials for natural colours, flavours and thickeners takes place in the country. A major reason for this is that climatic conditions in Germany are inappropriate for the production of the raw materials. Consequently, Germany depends on imports of raw materials from countries where production of these materials takes place.

## **Product groups**

### *Natural food colours*

Germany produces a number of raw materials for natural colours, such as red beets, spinach and corn syrup. However, the production of exotic raw materials, such as cochineal, turmeric root, marigold, annatto, palm oil, micro algae (*Dunaliella salina*) and safflower is negligible.

### *Flavours*

Germany is a small producer of raw materials for essential oils in the EU. It is only known to produce small amounts of garden angelica, artemisia, basil, chamomile and thyme. The largest producing countries in the EU are Spain, Italy and France, where citrus fruits are grown and are used for production of essential oils for food.

Furthermore, Germany does not produce menthol. However, Symrise produces synthetic menthol in Germany. Liquorice roots are not grown in Germany, but there are several companies which produce liquorice extract from imported raw materials.

### *Thickeners*

Germany is a small producer of raw materials for thickeners in the EU, with the exception of pectin. Germany is one of the world's leading producers of pectin, although the raw materials which come from citrus fruit and apples are largely grown outside of Germany, mainly in Mediterranean European countries. EU production of pectin is dominated by five large producers. Of these producers, Herbstreith & Fox and CP Kelco have production facilities in Germany, making it the 2<sup>nd</sup> largest producer of pectin in the EU, after Denmark. According to industry sources, the expected availability of pectin raw materials enables the main pectin producers to plan an annual increase of pectin production of approximately 3.8% (FoodNavigator, 2007). For this reason, there is a continuous search for new and alternative pectin ingredients. CP Kelco, for example, is experimenting with potatoes, but says it sees more potential in citrus fruit.

Germany has the largest potato starch quota in the EU, indicating a considerable production of this product, which can act as a substitute for manioc starch. Germany has a production quota of 656 thousand tonnes per year. The largest potato starch producer in the country is Emsland Group.

Gelita AG, the world's leading gelatine producer, is based in Germany. Gelatine is a competitive product for many thickeners. Gelita AG has a turnover of around € 400 million, which is approximately 27% of the world gelatine market.

Reliable information on German production of other raw materials for natural colours, flavours and thickeners was not found. We are inclined to assume that the absence of data either means negligible registered production or a minor importance of Germany in this product group, relative to other EU countries.

## **Major players**

- Herbstreith & Fox GmbH - <http://www.herbstreith-fox.de> - manufacturer of pectins
- CP Kelco Germany GmbH - <http://www.cpkelco.com> - manufacturer of pectins
- Givaudan - <http://www.givaudan.com> - manufacturer of flavours and fragrances
- Döhler GmbH - <http://www.doehler.com> - manufacturer of flavours and colours
- A2 Trading - <http://www.a2-trading.com> - trader of hydrocolloids
- Emsland Group - <http://www.emsland-staerke.de> - largest potato starch manufacturer in Germany
- Suedstaerke GmbH - <http://www.suedstaerke.de> - potato starch producer
- Cargill - <http://www.cargill.de> - American company which has a (wheat or maize) starch production facility in Germany
- Gelita AG - <http://www.gelita.com> - leading producer of gelatine

### **Trends in production**

- There is continuous search for, and innovation in, new natural ingredients which qualify as high in food standards. An example is the so-called fractionation, explained in the CBI market survey covering the EU market. Here, individual flavours can be extracted from organic essential oils.

For more information on trends, please also refer to the CBI survey covering the EU market for natural colours, flavours and thickeners.

### **Opportunities and threats**

- + Germany is one of the largest EU markets for natural colours, flavours and thickeners. Moreover, because it is a relatively small producer of raw materials, there are many opportunities for supplying these ingredients to the large food and drink industry in the country.
- + Particularly interesting sectors in the German food industry are meat, dairy and tobacco since these sectors are relatively large compared to the EU on average. Moreover, dairy and meat are fast-growing sectors, indicating increasing opportunities for natural colours, flavours and thickeners used in these products.
- + German consumers are well-informed and deeply concerned about nutrition and product safety. They are aware of food additives, they read labels, and demand a lot of information about the products they consume. The increased health awareness of German consumers is expected to stimulate the demand for natural colours, flavours and thickeners.
- + The growing demand for food products with a long shelf-life, where more additives are used, leads to increased opportunities for supplying natural colours, flavours and thickeners to Germany.
- + Demand for organic products has increased faster than supply, indicating opportunities for exporting organic ingredients to Germany, especially since the country is the largest market for organics in the EU.
- +/- As a result of the increasing lemon oil price, caused by bad weather conditions, Givaudan is developing replacers for lemon oil flavours. The company expected a shortage of 30% in the supply of lemon oil in 2008. This could provide both opportunities (shortage of lemon oil, demand for new natural ingredients) as well as threats (to producers of lemon oil, which may be replaced by something else).
- The considerable potato starch production in Germany could form a threat to manioc starch exporters in developing countries. Moreover, Germany could be a competitor, as it exports starch to other EU member states.
- Suppliers of products with applications similar to pectins or gelatin are threatened by Germany's large pectin and gelatine production.

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 natural colours, flavours and thickeners in the EU' presents an example of an analysis of whether a trend/development is an opportunity or a threat.

### **Useful sources**

- BLL - <http://www.bll.de> - Union for Food Law and Food Science
- BVE - <http://www.bve-online.de/index.html> - Association of German Food and Beverage Industries
- DVAI - <http://www.aromenhaus.de> - German Association of the Flavour Industry
- FiBL - <http://www.fibl.org/> - Research Institute for Organic Agriculture

## 2. Trade channels for market entry

### Trade channels

Trade in the natural colours, flavours and thickeners market exceeds national boundaries. A small number of compounders, traders and agents trade most of the German and EU production internationally. The German trade structure has to be viewed in conjunction with the EU-wide trade structure. Please refer to the CBI survey on 'The natural colours, flavours and thickeners market in the EU'.

### Compounders

The market for colours and flavours is dominated by compounders, which supply the largest food manufacturers. These multinational compounders are often vertically integrated including import, production/processing, marketing and sales. Moreover, they are also often integrated horizontally, to include different products within the group of food additives (i.e. colours and flavours).

Although production facilities are located in just one or only a few locations, sales offices of compounders are spread out more widely. They are located in many different countries, in order to cover specific countries or regions. International Flavours and Fragrances Inc. (IFF), for example, has sales offices in 11 EU countries. Whereas smaller markets are often covered by sales offices located in other countries, larger markets such as Germany are generally covered by one office, dedicated solely to that market. By having offices in many different countries, compounders are able to increase their market coverage and their knowledge of customer requirements. In this manner, they can also reach more buyers and gather more information about national, regional and company specific requirements. This enables them to compete more successfully with other suppliers.

### Distributors

The multinationals sometimes use a separate distributor. There are two main reasons for the existence of distribution intermediaries in the market for ready-to-use natural colours, flavours and thickeners: the need for readily available customer service and for just-in-time delivery. Distributors enable exporters to enter a foreign market without specific operational knowledge or experience in this market, and to provide customers with a consistent, quality supply of raw materials.

### Traders and agents

Smaller food manufacturers in Germany are in many cases supplied by independent traders and agents. Similar to compounders, some traders have set up local offices in different countries from where they sell their products. Local sales offices sometimes have their own purchasing department. They basically operate independently, but under the same flag as the mother trading company.

The EU-wide scope of the multinational compounders, traders and agents requires that developing country exporters carefully assess the channels through which country and company products reach end-users. The location of end-users is often different from where the products are actually imported. Products sold by the sales office of IFF in Germany, for example, might come from one of the production facilities in France, The Netherlands, Sweden or the UK. This means that products from a developing country exporter, aiming to supply large food manufacturers in Germany, might first have to go through these countries.

Major compounders, traders and agents active in the German market for colours, flavours and thickeners are listed below. Many of the major players are multinational companies which are mentioned in the survey covering the EU market. For each company, an indication is given of the location of the headquarters, production facilities or sales offices. Only offices and facilities active in this market are shown:

- Givaudan Deutschland GmbH - <http://www.givaudan.com> - manufacturer of flavours with 2 offices in Germany for fragrance and flavour creation, production and sales.

- Sensient Food Colors Europe - <http://www.sensient-fce.com> - producer of natural colours, has 3 offices in Germany (1 for essential oils, 1 for flavours and 1 for colours).
- Symrise GmbH & Co - <http://www.symrise.com> - supplier of flavours; has 6 locations in Germany.
- Chr. Hansen - <http://www.chr-hansen.com> - largest producer of colours in the world, headquarters in Denmark, supplier of colours, flavours, cultures, enzymes and more. Has 3 production sites in Germany.
- Danisco - <http://www.danisco.com> - Danish supplier of value-added ingredients such as colours, emulsifiers, essential oils, and hydrocolloids. Recently purchased Rhodia Food Ingredients. Danisco has production facilities and sales offices in nearly every EU country, including Germany.
- Norevo (formerly Alfred L. Wolff) - <http://www.alwolff.com> (new website not yet available) – trader in gum Arabic, agar-agar, carrageenan, guar gum, locust bean gum, xanthan gum and liquorice. Headquarters and 2 production facilities in Germany.
- Roeper - <http://www.roeper.de> – trader of natural colours, flavours and thickeners.
- Döhler GmbH - <http://www.doehler.com> - manufacturer of flavours and colours. Headquarters and 1 production facility in Germany.
- Frutarom - <http://www.frutarom.com> – manufacturer of flavours; has a production facility in Germany.
- CP Kelco Germany GmbH - <http://www.cpkelco.com> - manufacturer of pectins. Has a manufacturing plant in Germany (pectins) and a sales office.
- Herbstreith & Fox GmbH - <http://www.herbstreith-fox.de> - manufacturer of pectins.
- Willy Benecke GmbH - <http://www.willy-benecke.com> - trader and processor of gum Arabic, guar gum, locust bean gum, agar-agar and carrageenan.
- Univar Food Ingredients - <http://www.univareurope.com> – Distributor of colours, flavours and thickeners.
- WILD - <http://www.wild.de> - large supplier of natural flavour ingredients, as well as natural colours, for the food and drink industry.
- Hepner & Eschenbrenner - <http://www.hepner-hamburg.com> - leading trader of liquorice.

Other companies active in the German market for natural colours, flavours and thickeners are: Firmenich, Axxence Aromatic GmbH, Destilla GmbH, International Flavours & Fragrances GmbH (creative office and sales office), Ringe & Kuhlmann, Paul Kaders GmbH, Horst F.C. Brueggemann, Hydralco, S. Black, Bell Flavors and Fragrances, Eramex, Curt Georgi, Duellberg Konzentra, Flavex, Silesia, Frey + Lau, Charabot, Robertet.

### Trends

- The German market for natural colours, flavours and thickeners reflects the consolidation which exists for this sector at EU level. The acquisition of the German company Degussa Food Ingredients by Cargill (US company) in 2006 is a clear example of the consolidation in the German market. Another important development is the acquisition of Alfred J. Wolff's trade in guar gum, xanthan, carrageenan, tara gum and locust bean gum, by A2 Trading in 2008.
- The production scale of natural colours, flavours and thickeners in Germany is going through a sharp increase. The trend is particularly related to the large companies, which are making further investments in their production facilities.

For more information on trends, please also refer to the CBI survey covering the EU market for natural colours, flavours and thickeners.

### Price structure

Different prices and margins apply throughout the various trade channels. In general, margins in Germany follow those in the EU. Prices paid for materials increase significantly along the value chain. However, the market is not transparent at the different levels, thus making it impossible to provide margins.

The margins charged by different intermediaries in the trade of natural colours, flavours and thickeners are influenced by many different factors. These include the product type, the current and expected future harvest situation, the availability or number of sources for the particular product, the level of demand and the trend in prices.

Importers and traders generally take a margin of 10-25%, while agents take a margin of 5-10% in any market. However, because of the often very specific expertise needed in this sector, the margins for these trade channels might be higher when compared to other sectors. Moreover, the margins differ widely between the different product groups. In general, margins at processing level by compounders are larger for flavours and colours than for thickeners.

### Selecting a suitable trading partner

Finding a trading partner in Germany does not deviate from the general EU method as described in the CBI survey on 'The natural colours, flavours and thickeners market in the EU'. German importers look for new suppliers in developing countries by visiting the country of interest, through recommendations or through trade fairs. The most common ways for developing country exporters to approach German customers are through direct (e-)mail, personal visits as follow-up, inviting potential German customers to visit them, building a network and visiting international trade fairs.

After obtaining contacts, evaluating potential trade partners should be done according to criteria such as information quality, geographic coverage; the kind of trade relation the partner is interested in, the position of the partner and the financial status and credibility.

The following websites can be of use when finding a trading partner in Germany:

- For more suppliers of colours, flavours and thickeners- <http://www.thomasglobal.com>.
- German Association of the Aroma Industry (DVAI) and the German Association of the Essential Oils Industry (VDDEI) - <http://www.aromenhaus.de>.
- German Association of Wholesaling and Foreign Trade Companies in the Drugs and Chemical Business - <http://www.v-d-c.org>.
- Food world - [http://www.thefoodworld.com/food\\_exporters\\_importers](http://www.thefoodworld.com/food_exporters_importers) - an extensive online food business directory, with full EU coverage.
- Europages - <http://www.europages.com> - online business directory, with full EU coverage.
- BioFach - <http://www.biofach.de> - annual trade fair of organic foods.
- ANUGA - <http://www.anuga.com> - food fair.

## 3. Trade: imports and exports

### Imports

#### **Total imports**

Germany is the largest EU importer of natural colours, flavours and thickeners, accounting for 21% of total EU imports in 2008. Between 2004 and 2008, imports increased by 8.3% in value and 2.5% in volume annually, to an amount of € 422 million / 98 thousand tonnes. This development coincides with the growing demand for natural ingredients, while the domestic production of natural raw materials is low in Germany.

Developing countries accounted for 39% of the supplies, which was slightly higher than the EU average share of 37%. Moreover, their share is increasing, as German imports from developing countries increased by 11% in value annually during the review period, while imports from other countries increased at a slower pace. The leading supplier is India, showing an average annual growth rate of 13% during the review period. Imports from China, the second largest developing country supplier, increased by 19% annually. Imports from Indonesia, Brazil and Iran also increased.



### Imports by product group

The largest product group imported by Germany is thickeners derived from gums and seaweeds, accounting for 44% of the total imports. The second largest product group is essential oils (36%), followed by colours (11%). Menthol, liquorice and locust beans (9.0%) and manioc starch (0.9%). Imports of all other product groups increased during the review period, where essential oils show the strongest increase, of 12% annually.

**Table 3.1 Imports by and leading suppliers to Germany  
2004 - 2008, share in % of value**

Product	2004 € mln	2006 € mln	2008 € mln	Leading suppliers in 2008 Share in %	Share (%)
Total market sector	156	188	197	Intra-EU: France (16), The Netherlands (8.3), Denmark (6.6), Italy (5.0), Spain (3.8)	47%
	45	58	62	Extra-EU ex. DC*: USA (6.7), Switzerland (5.6), Australia (1.2), Israel (0.3), Japan (0.3)	15%
	106	144	163	DC*: India (14), China (7.0), Indonesia (2.8), Brazil (2.7), Iran (2.6), Philippines (1.5), Sudan (1.1), Peru (1.1), Turkey (0.9), Morocco (1.8)	39%
Natural food colours	24	26	23	Intra-EU: Netherlands (28), Spain (8.8), Denmark (5.9), France (4.8), Italy (1.4)	52%
	4.8	8.7	7.5	Extra-EU ex. DC*: USA (7.4), Australia (5.0), Switzerland (2.7), Japan (0.9), Norway (0.3)	17%
	9.5	13	14	DC*: China (14), Peru (7.6), India (6.0), Malaysia (1.1), Chile (1.0), Ecuador (1.0), South Africa (0.9), Egypt (0.2), Turkey (0.1)	32%
Menthol, liquorice and locust beans	4.3	4.3	4.3	Intra-EU: Netherlands (3.6), United Kingdom (2.8), France (1.1), Finland (1.1), Italy (0.6)	11%
	11	16	13	Extra-EU ex. DC*: USA (26), Switzerland (5.0), Israel (2.6), Singapore (0.8), Japan (0.1)	35%
	16	26	20	DC*: India (26), Iran (20), China (7.8), Turkey (0.2), Uzbekistan (0.1)	54%
Essential oils	49	53	65	Intra-EU: France (17), Netherlands (8.5), Italy (5.7), United Kingdom (5.2), Spain (2.0)	44%
	15	18	29	Extra-EU ex. DC*: USA (9.2), Switzerland (7.5), Australia (1.5), Canada (0.3), Russia (0.3)	20%
	31	39	55	DC*: India (12), Brazil (6.9), China (6.1), Indonesia (5.2), Turkey (2.0), Egypt (0.9), Iran (0.7), Sri Lanka (0.5), South Africa (0.4), Argentina (0.4)	37%
Manioc starch	0.9	2.7	2.8	Intra-EU: Netherlands (57), Denmark (6.5), United Kingdom (5.4), Austria (1.8), Sweden (0.6)	71%
	0	0	0	Extra-EU ex. DC*: Taiwan (0.1)	0.1%
	1.9	0.8	1.1	DC*: Thailand (25), Brazil (3.5), Vietnam (0.1)	29%
Natural gum and seaweed thickeners	77	102	101	Intra-EU: France (21), Denmark (13), Italy (6.2), Spain (4.7), Netherlands (3.3)	55%
	14	15	12	Extra-EU ex. DC*: Switzerland (5.0), USA (0.7), Australia (0.2), Japan (0.2), Singapore (0.1)	6.6%

	48	66	72	DC*: India (16), China (6.2), Philippines (3.4), Sudan (2.5), Indonesia (2.1), Morocco (1.7), Iran (1.3), Chad (1.0), Pakistan (0.6), Nigeria (0.6)	39%
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Source: Eurostat (2009)

\*Developing Countries

#### *Natural food colours*

Germany is the largest EU importer of natural colours, accounting for 18% of the total EU imports in 2008. This can be explained by the presence of several multinational food colour producing companies, like Döhler and Sensient Food Colors, which makes Germany a leading consumer of raw material for natural colours. Between 2004 and 2008, imports increased by 3.8% annually in terms of value, but decreased by 6.0% annually in terms of volume, to an amount of € 45 million or 3.3 thousand tonnes.

The leading supplier is The Netherlands, which most likely re-exports natural colours to Germany. China is the second largest supplier, showing an average annual increase of 51% in value but a decrease of 8.8% in volume. Imports from India, the sixth largest supplier, also show an annual increase of 6.7% during the review period. In general, developing countries accounted for 32% of the supplies, which was somewhat higher than the EU average share of 26%. Imports from developing countries increased by 11% annually during the review period.

#### *Menthol, liquorice and locust beans*

Germany is the largest EU importer of menthol, liquorice and locust beans, with imports amounting to € 38 million / 7.9 thousand tonnes in 2008, representing 28% of the total EU imports of this product group. Between 2004 and 2008, imports increased by 4.8% annually in terms of value, but remained stable in terms of volume. This increase was mainly due to an increase of 8.9% in the imports of liquorice, the largest product group.

Developing countries accounted for 54% of the supplies, which was high compared to the EU average share of 39% in 2008. Moreover, their share increased during the review period, as imports from developing countries increased by 6.1% annually, while imports from intra-EU countries remained the same. The largest supplier is the USA, showing an average annual growth rate of 3.8% between 2004 and 2008. India is the second largest supplier, but showing an annual decrease of 2.2% in the review period. Imports from Iran and China showed a strong increase annually of respectively 25% and 8.3% in this period.

#### *Essential oils*

Germany is the third largest EU importer of essential oils, with imports amounting to € 150 million or 19 thousand tonnes in 2008, representing 19% of total EU imports. Between 2004 and 2008, imports increased strongly by 12% annually. The leading suppliers are France and India, both showing an increase in their supplies, of 8.0% and 28% annually respectively during the review period.

Developing countries accounted for 37% of the supplies to Germany, which was slightly lower than the EU average share of 41%. However, the share of developing countries increased, as supplies to Germany increased by 16% annually during the review period. The most interesting product groups are 'other essential oils', France and Indonesia being the leading suppliers. Oleoresins with India as the leading supplier and 'other citrus oils' with Switzerland as a leading supplier.

#### *Manioc starch*

Manioc starch is the smallest product group imported by Germany, but the country is nevertheless, after France, the second largest importer of manioc starch in the EU. Between 2004 and 2008, imports increased by 8.5% annually, to an amount of € 3.9 million or 8.0 thousand tonnes. Developing countries accounted for 29% of these imports, showing an annual growth rate of 13% during the review period, of which Thailand is the only significant supplier. The Netherlands accounts for 57% of the supplies, but these concern re-exports.

### *Natural gum and seaweed thickeners*

Germany is the largest EU importer of gum and seaweed thickeners, accounting for 22% of the total EU imports. In 2008, imports amounted to € 185 million / 60 thousand tonnes, showing an annual increase of 7.4% between 2004 and 2008. Developing countries accounted for 39% of the imports, which was a slightly higher share than the EU average (35%). Moreover, their share increased, as supplies increased by 11% annually during the review period.

The largest supplier is France, followed by India and Denmark. Imports from India increased by 14% annually during the review period, while imports from France increased by 6.6% annually and imports from Denmark decreased slightly. Of the other leading developing country suppliers, China and the Philippines show a strong increase in their supplies of 31% and 17% respectively. Sudan showed an average annual decrease in imports of 13%.

Product groups where developing countries account for a large share are guar gum (75% or € 25 million), agar-agar (76% or € 5.9 million), and gum Arabic (61% or € 12 million). Imports of guar gum increased considerably, while the imports agar increased slightly and the imports of gum Arabic decreased during the review period. India is the leading supplier of guar thickeners, Sudan of gum Arabic and China is the leading supplier of agar-agar.

### **Exports**

Germany is the second largest EU exporter of natural colours, flavours and thickeners, behind France, and accounting for 15% of the total EU exports in 2008. In that year, Germany exported € 235 million / 36 thousand tonnes, representing an average annual decrease of 3.0% between 2004 and 2008. The main countries of destination were Russia and Switzerland.

Exports consisted mainly of gum and seaweed thickeners (41%), which was also the largest imported product group, followed by essential oils (36%) and natural food colours (19%). Exports of essential oils and colours increased during the review period, while exports of gum and seaweed thickeners decreased by 11% annually.

### **Opportunities and threats**

- + Germany is the largest European food market and the largest importer of natural colours, flavours and thickeners in the EU. It offers many opportunities for developing country exporters.
- + German imports from developing countries increased for nearly all product groups discussed in this survey, showing an overall growth in the share of imports from developing countries in the sector.
- + The most interesting product groups for developing country suppliers are essential oils, and natural gum and seaweed thickeners. Manioc starch is still a small product group, but also provides opportunities as Germany is the second largest EU importer, and imports increased strongly in the period under review.
- The consolidation of the German market indicates a bottleneck for developing country suppliers entering the market. Demand, prices and margins are mainly regulated by the larger players, which also require bigger and more reliable quantities.

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 natural colours, flavours and thickeners market 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>  
→ go to: trade statistics
- Eurostat - <http://epp.eurostat.ec.europa.eu> - official statistical office of the EU  
→ go to 'themes' on the left side of the home page

- go to 'external trade'
- go to 'data – full view'
- go to 'external trade - detailed data'
- 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

Please refer to the CBI market survey 'The natural colours, flavours and thickeners market in the EU'. The price indications given there are the best reference point for prices in Germany. If any price differences exist, they are the result of differences in transport costs and individual buyer preferences for product origin, quality, packaging, etc. These differences are considerable, both between countries and within countries. Nonetheless, global market prices as mentioned in the CBI market survey 'The natural colours, flavours and thickeners market in the EU' are the basis for price calculations in every country. Actual prices are dependent on negotiation with partner companies.

#### Useful sources

- The Public Ledger - <http://www.public-ledger.com> - prices for selected colours, flavours and thickeners
- MCX India - <http://www.mcxindia.com> - prices for menthol and guar
- Organic Trade Services - <http://www.organicts.com> - prices for organic products

#### 5. Market access requirements

As a manufacturer in a developing country preparing to access Germany, you should be aware of the market access requirements of your trading partners and the German government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

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

Packaging requirements are different for each type of product that you export, so please refer to the CBI market survey covering the EU market for more information on this. Additional 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>

#### 6. Doing business

General 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) can be found in CBI's export manuals 'Export Planner' and 'Your image builder'. Furthermore, cultural awareness is a critical skill in securing success as an exporter. Information on cultural differences in the EU can be found in chapter 3 of CBI's export manual 'Exporting to the EU'. These manuals can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications.

In Chapter 2, the importance of networks, trade fairs and company visits was expressed in terms of promoting your company and finding trade partners. Trade fairs also offer useful information on trends, potential competitors and the products and services they offer. Trade

press should not be underestimated, both as a source of information (e.g. trends and companies) and as a means of promoting your company and your products.

#### **Trade associations**

- DVAI - <http://www.aromenhaus.de> - German Association of the Flavour Industry
- BVE - [http://www.bve-online.de/englisch\\_content](http://www.bve-online.de/englisch_content) - Association of German Food and Beverage Industries
- German Association of Wholesaling and Foreign Trade Companies in the Drugs and Chemical Business - <http://www.v-d-c.org>

#### **Trade press**

- Lebensmittelwelt.de - <http://www.lebensmittelwelt.de>
- Lebensmittel Zeitung - <http://www.lz-net.de>
- ZMP Zentrale Markt- und Preisberichtsstelle GmbH - <http://www.zmp.de>

#### **Trade fairs**

- BioFach - <http://www.biofach.de> – annual trade fair of organic foods; the most recent one was held in February 2010
- ANUGA - <http://www.anuga.com> – this food fair is held once every two years; the next one will be held in October 2011
- Vitafoods in Switzerland - <http://www.vitafoods.eu.com> - exhibition in the nutraceuticals, cosmeceuticals, functional foods and functional drinks industries; the next one will be held May 18-20, 2010

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