CBI MARKET SURVEY

THE NATURAL COLOURS, FLAVOURS AND THICKENERS MARKET IN AUSTRIA

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments in the natural colours, flavours and thickeners market in Austria. The information is complementary to the information provided in the CBI market survey 'The natural colours, flavours and thickeners 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: industrial demand and production

Industrial demand

Industrial demand for natural colours, flavours and thickeners is low in Austria, compared to other EU countries. Austria's food industry is small and accounted for only 1.2% of the total turnover of all EU food industries in 2007. The absence of large multinational food ingredient companies with production facilities in Austria largely explains the low industrial demand for natural colours, flavours and thickeners.

Table 1.1 presents the sizes of the different sectors within the Austrian food industry, compared to the EU. Relatively large sectors in Austria are beverages, dairy and fruit and vegetables. When looking at the subsectors, the largest ones in Austria in 2007 were dairy and cheese (accounting for 16% of the total food industry turnover), bread and fresh pastry (12%; it falls under 'other food products'), and meat products (12%). This indicates that industrial demand for natural colours, flavours and thickeners used in these products is relatively high in Austria. For example, the relatively large dairy sector indicates demand for carrageenan.

Table 1.1 Manufacturing of food products, beverages and tobacco in Austria

Food and drink industry sectors	Share in EU food industry, 2006	Share in Austrian food industry, 2007	Average annual change in Austrian food industry, 2003-2007
Total	**100%**	**100%**	**3.6%**
Meat	*19.1%	20.5%	3.5%
Beverages	14.1%	15.6%	2.4%
Dairy	12.7%	15.6%	4.2%
Fruit and vegetables	5.6%	8.8%	2.3%
Grain mill products and starch	3.5%	3.9%	18.3%
Animal feeds	*5.5%	3.2%	5.5%
Oils and fats	4.4%	2.0%	8.3%
Tobacco	7.1%	n.a.	n.a.
Fish	2.4%	*0.3%	n.a.
Other food products	24.7%	27.9%	2.7%

Source: Eurostat (2009)
* Data from 2005

The sectors in Austria which grew considerably during the review period were grain mill and starch products and oils and fats. An interesting subsector which showed a high growth rate between 2003 and 2007 is cocoa, chocolate and sugar confectionery (16% annually on average). This indicates a growing demand for starch and fruit or mint flavours.

Esarom, the largest flavours manufacturer in Austria, purchases around 50 tonnes annually, mainly essential oils from lemon, lime and oranges.

Austrian consumers are amongst those with the highest interest in organic products in the EU. According to the Research Institute of Organic Agriculture (FiBL), the retail market of organic products in Austria amounted to € 739 million in 2007, accounting for 4.6% of the total European market for organic products. Compared to 2006, the market increased by approximately 10%. Exports of organic food amounted to a further € 60 million in 2007. The recent organic certification of a number of products from Esarom, Austria's largest flavour manufacturer, also confirms the high interest in organic products in Austria.

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.

Trends in industrial demand

- Industry sources indicate that Austrian consumers are becoming more health-aware, thus stimulating the demand for (organic) natural food ingredients, such as natural colours, flavours and thickeners.
- In line with general EU developments, the Austrian market for convenience food products is growing. Due to busier life-styles, Austrians increasingly buy ready-meals and packaged food. This market is an important one for natural colours, flavours and thickeners.

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

Production

Mainly due to climatic conditions, production of the raw materials for natural colours and thickeners discussed in this survey is small in Austria. According to the information available, Austria does not produce any menthol, locust bean (gum), guar, gum Arabic, agar, pectins, carrageenan or manioc starch.

According to industry sources, Austria can be considered to be a small producer of flavours and essential oils compared to other EU countries, accounting for approximately 3% of total flavour and essential oil production. Production is currently stable, but it is expected that, in the future, production might increase, due to expanding export opportunities.

There are 3 main producers of colours and flavours in Austria, namely Esarom (http://www.esarom.com), Akras (http://www.akras.at) and Wurth (www.wurth.or.at). According to industry sources, each accounts for approximately 30% of the colours and flavours production in Austria. Esarom is somewhat bigger than Akras, while Wurth is considerably smaller. Moreover, Jungbunzlauer AG (http://www.jungbunzlauer.at), a major food ingredient manufacturer, produces xanthan gum, which makes Austria a relatively large consumer of raw material for xanthan gum in the EU. Industry sources indicate that demand for xanthan will continue to increase in the future.

Production of potato starch, a direct competitor to manioc starch, is limited to 47,691 tonnes per year. The starch is produced by the company AGRANA (http://www.agrana.at).

Trends in production

- Due to the negligible production of raw materials for natural colours, flavours and thickeners in Austria, there is no specific information about production trends, which can be presented.

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

+ Increased health awareness, as well as the increasing consumption of convenience foods, stimulates demand for natural food ingredients. Since Austria is only a small producer of natural colours, flavours and thickeners, exporting these products to Austria could be an opportunity.
- Austria is a small market for most natural colours, flavours and thickeners. The food industry is mainly supplied through other EU countries and opportunities for developing countries to supply Austria directly are limited.
+ The meat, beverages and dairy industries are the largest food industries in Austria, indicating that demand is relatively large for natural colours, flavours and thickeners which are used in these products. A fast growing sector is cocoa, chocolate and confectionery; indicating that this sector increasingly provides opportunities as well.
+ Regarding the different product groups, thickeners seem to provide opportunities since the country does not produce these ingredients itself. However, note that industrial demand is rather low, with the exception of xanthan gum.
+ Austria has a high per capita expenditure on organic food products and could therefore offer opportunities for organic natural colours, flavours and thickeners.

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.

2. Trade channels for market entry

Austria is a relatively small market. Only a few producers and processors of natural colours, flavours and thickeners are located in Austria. However, many multinational flavour manufacturers and traders active in the EU market have sales offices in Austria. The products sold by these sales offices are supplied by processing facilities in other countries, such as Austria's neighbouring country Germany. Smaller food manufacturers are supplied by local traders and agents. Relevant players are:

- Esarom Essenzenfabrik (http://www.esarom.com): largest manufacturer of flavours in Austria. It has 1 production site in Austria and imports directly from producers, as well as through agents.
- Akras Flavours AG (http://www.akras.at): manufacturer of flavours and colours headquartered in Austria.
- Wurth (http://www.wurth.or.at): manufacturer of colours and flavours. It sources only in the EU.
- Bruder Unterweger (http://www.unterweger-oils.com): trader in essential oils.
- Jungbunzlauer AG (http://www.jungbunzlauer.com): producer of xanthan gum with a processing facility in Austria.
- Backaldrin (http://www.backaldrin.at): producer of baking ingredients. It imports gums.
- Brenntag (http://www.brenntag.at): distributor of colours, flavours and thickeners.
- Ireks Aroma (http://www.ireks-aroma.hr): Croatian producer and trade of natural colours, flavours and thickeners, present in Austria.
- The following multinational food ingredient companies have sales offices in Austria: Symrise, Givaudan, Firmenich, Chr. Hansen and Döhler.

Note that many food manufacturers prefer to deal with local agents or distributors, instead of dealing directly with suppliers in developing countries. They need advice about product applications and related EU legislation. It is generally difficult for an exporter in a developing country to provide this service, as the distance to the market is too big. If this is the case, it would be best to work through agents or distributors.

3. Trade: imports and exports

Imports

Austria is a small-sized importer of natural colours, flavours and thickeners, accounting for only 2.5% of total EU imports in 2008. Between 2004 and 2008, Austrian imports of natural colours, flavours and thickeners increased by 7.4% annually in value, amounting to € 51 million or 14 thousand tonnes in the latter year. The increase in imports can be explained by the growing food industry, in combination with the health and convenience trends.

Developing countries accounted for a share of 13% in Austrian imports of natural colours, flavours and thickeners, which was low compared to the EU average of 37%. Austria does not have significant industries handling the production of natural colours, flavours or thickeners, except for essential oils, which are mainly imported from developed countries. Due to the lack of an industry, Austria imports few raw materials for natural colours, flavours and thickeners. As developing countries mainly supply raw materials, as opposed to end-products, Austria imports little from developing countries.

Moreover, although imports from DCs increased by 1.4% annually during the review period, their share in imports declined. The leading developing country supplier was India, accounting for 3.8% of total Austrian imports. India mainly supplied essential oils, such as turmeric, cumin, cardamom, dill and ginger. The other developing countries with significant supplies are Bosnia and Herzegovina (3.4%) and Indonesia (1.7%). The relatively large share of East-European countries is related to the presence of Esarom and Akras in that region.

Austrian imports of natural colours, flavours and thickeners consisted of gum and seaweed thickeners (52%), essential oils (35%), colours (12%), menthol, liquorice and locust beans (1.6%) and manioc starch (0.3%). The imports of gum, seaweed and thikeners mainly consisted of a remaining group (36%), pectins (28%), guar (12%), and natural gums (incl. gum Arabic) (12%). Imports of thickeners of gums and seaweed increased by 12% annually between 2004 and 2008, while imports of essential oils increased by 1.6% annually in this period. The most important types of essential oils imported by Austria are oleoresins (42%) and a group of essential oils other than those of citrus fruit and mint (48%).

Exports

Austria is a small EU exporter of natural colours, flavours and thickeners, accounting for 1.5% of total EU exports in 2008. Between 2004 and 2008, Austrian exports declined by 1.2% annually in value, amounting to € 23 million / 2.5 thousand tonnes in the latter year. The main countries of destination were Germany, the USA, and Russia.

The composition of natural colours, flavours and thickeners exports from Austria provides some more information on the production in Austria. The exports consisted for 70% of essential oils, for 19% of gum and seaweed thickeners for 9.9% of colours. Further analysis of the exports of essential oils shows that Austria mainly exports essential oils other than citrus and mint oils (e.g. herb and spice oils). Please refer to the CBI market survey 'The spices and herbs market in Austria' for information on demand for spices and herbs, which is closely related to demand for essential oils.

Opportunities and threats

+/-Austrian imports of natural colours, flavours and thickeners are increasing, indicating a growing market. However, note that Austria remains a small market in the EU.
- Developing countries account for a small share of total Austrian imports of natural colours, flavours and thickeners, and this share declined during the review period. Austria mainly imports end-products, which are supplied by developed countries. These end-products are mostly sold by local sales offices of multinationals and supplied through other countries, where the production sites of the multinationals are located.

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
- EU Expanding Exports Helpdesk - http://exporthelp.europa.eu/
- Eurostat – official statistical office of the EU - http://epp.eurostat.ec.europa.eu
- Understanding Eeurostat: Quick guide to easy comext ➔ http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf

4. Price developments

Please refer to the CBI market survey covering the EU market for prices of natural colours, flavours and thickeners. The price indications given there are the best reference point for prices in Austria. 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 market for natural colours, flavours and thickeners in the EU' are the basis for price calculations in every country including Austria.

For more detailed information on prices, refer to the CBI survey covering the EU or to:
- 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
- Quarterly Review of Food Hydrocolloids (http://www.hydrocolloid.com): Prices for hydrocolloids

5. Market access requirements

As a manufacturer 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 'food ingredients' 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/packaging/packit.htm

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

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
- Federation of Food Industries (FIAA) - http://www.dielebensmittel.at

Trade fairs

- Alles für den Gast Wien – http://www.reedexpo.at - Hotel and restaurant food trade. The fair is held twice a year in April and November. The next fair will be held 11-14 April 2010.

As Austrian companies import many of their supplies from Germany, it could also be of interest to visit the trade fairs mentioned in the CBI market survey 'The natural colours, flavours and thickeners market in Germany'.

Trade press

- Forum Ernährung Heute - http://www.forum-ernaehrung.at – Consumer information on nutrition (in German)
- Handelszeitung - http://www.handelszeitung.at – Information on the trade of food products in Austria (in German)

Other

- Information on Austrian business culture can be found at http://www.worldwide-tax.com/austria/auspractice.asp or http://www.cba.uni.edu/buscomm/InternationalBusComm/world/europe/index.html
- Verband der Aromen- und Essenzenindustrie: Association of the Flavour and Fragrance industry

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