

TRADE INFORMATION

MARKET RESEARCH FILE

ON

SPICES

OVERVIEW OF THE EUROPEAN UNION

POLAND, HUNGARY, CZECH REPUBLIC

RUSSIAN FEDERATION

ITC



INTERNATIONAL TRADE CENTRE UNCTAD/WTO

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GENEVA

1998

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(Prepared by Ms. N. Prakash)

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NOTES

Abbreviations used:

ACP	African, Caribbean and the Pacific basin countries enjoying preferences under the Lomé Convention
CIF	Cost, Insurance & Freight
EU	European Union
FOB	Free on Board
GSP	Generalized System of Preferences
ISO	International Organization for Standardization
LDC	Least Developed Country
EFTA	European Free Trade Association

Discrepancies in the data are due to the use of different statistical sources; data have been rounded off to the nearest tenth.

For further information and price lists, please contact:

Trade Information Dissemination Unit (DPMD)
International Trade Centre UNCTAD/WTO
Palais des Nations
CH-1211 Geneva 10
Switzerland

Tel: (+41 22) 730 01 11
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List of Least Developed Countries

Afghanistan	Madagascar
Angola	Malawi
Bangladesh	Maldives
Benin	Mali
Bhutan	Mauritania
Burkina Faso	Mozambique
Burundi	Myanmar
Cambodia	Nepal
Cape Verde	Niger
Central African Republic	Rwanda
Chad	Samoa
Comoros	Sao Tome and Principe
Djibouti	Sierra Leone
Equatorial Guinea	Solomon Islands
Eritrea	Somalia
Ethiopia	Sudan
Gambia	Togo
Guinea	Tuvalu
Guinea-Bissau	Uganda
Haiti	United Republic of Tanzania
Kiribati	Vanuatu
Lao People's Democratic Republic	Yemen, Republic of
Lesotho	Zaire
Liberia	Zambia

List of African, Caribbean and Pacific States (ACP)

Angola	Madagascar
Antigua and Barbuda	Malawi
Bahamas	Mali
Barbados	Mauritania
Belize	Mauritius
Benin	Mozambique
Botswana	Namibia
Burkina Faso	Niger
Burundi	Nigeria
Cameroon	Papua New Guinea
Cape Verde	Rwanda
Central African Republic	Saint Kitts and Nevis
Chad	Saint Lucia
Comoros	Saint Vincent and the Grenadines
Congo	Samoa
Côte d'Ivoire	Sao Tome and Principe
Djibouti	Senegal
Dominica	Seychelles
Dominican Republic	Sierra Leone
Equatorial Guinea	Solomon Islands
Ethiopia	Somalia
Fiji	Sudan
Gabon	Surinam
Gambia	Swaziland
Ghana	Togo
Grenada	Tonga
Guinea	Trinidad and Tobago
Guinea-Bissau	Tuvalu
Guyana	Uganda
Haiti	United Republic of Tanzania
Jamaica	Vanuatu
Kenya	Zaire
Kiribati	Zambia
Lesotho	Zimbabwe
Liberia	

I. MARKET PROFILE

A. Product description

The market research file covers spices classified according to the Harmonized System (HS) under the following codes:

09.04	Pepper of the genus Piper; dried or crushed or ground fruits of the genus Capsicum or of the genus Pimenta
0904.11	Neither crushed nor ground
0904.12	Crushed or ground
0904.20	Fruits of the genus Capsicum or of the genus Pimenta, dried or crushed or ground
09.05	Vanilla
09.06	Cinnamon and cinnamon-tree flowers
0906.10	Neither crushed nor ground
0906.20	Crushed or ground
09.07	Cloves (whole fruit, cloves and stems)
09.08	Nutmeg, mace and cardamoms
0908.10	Nutmeg
0908.20	Mace
0908.30	Cardamoms
09.09	Seeds of anise, badian, fennel, coriander, cumin, caraway or juniper
0909.10	Seeds of anise or badian
0909.20	Seeds of coriander
0909.30	Seeds of cumin
0909.40	Seeds of caraway
0909.50	Seeds of fennel or juniper
09.10	Ginger, saffron, tumeric (curcuma), thyme, bay leaves, curry and other spices.
0910.10	Ginger
0910.20	Saffron
0910.30	Tumeric (curcuma)
0910.40	Thyme; bay leaves
0910.50	Curry
0910.91	Mixtures ¹
0910.99	Other

The International Spice Group has adopted the following definition of spices:

“Spices are any of the flavored or aromatic substances of vegetable origin obtained from tropical or other plants, commonly used as condiments or employed for other purposes on account of their fragrance, preservative or medicinal qualities. They include pepper, pimento, vanilla, cinnamon and cassia, cloves, tumeric, spice seeds (anise, badian, ~~caraway~~, coriander, cumin, dill, fennel, fenugreek, juniper etc.), saffron, laurel leaves, ~~spice herbs~~ (sage, thyme, oregano, etc.) And mixtures of the foregoing products (such as ~~spice mixtures~~,

¹ Mixtures of two or more of the products of different headings are to be classified in that heading.

curry powder, etc.). These may be graded whole or in crushed or powdered form and are available in bulk or packaged.”

B. Market overview

Consumption of spices varies from one country to another and is influenced to a large extent by the size of the population and the rate at which it grows. It is also influenced by the disposable income, which in the case of developing countries is a major factor. In the developed countries, spices are used in the industrial sector, principally in food processing whereas in developing countries, spices are mainly consumed in individual households. However, the social habits, particularly those of cooking and eating, determine the overall per capita consumption of spices in both the industrialized and developing countries.

Spices are mostly grown and exported by developing and least developed countries. However, the global spice trade has undergone major changes in the past few years. The food industry (mainly the meat processing sector) and food-service sectors now account for nearly 60% of the spice trade in developed countries and the household sector has been relegated to second place. Certain spices are used in confectionary as well, however, quantities used are relatively small.

Pepper outranks all other spices in household consumption, although nutmeg, cinnamon (cassia), paprika and vanilla are also widely used and are sold through retail outlets. However, retail sales seem to be diminishing and this may be due to the increasing sales of ready-to-eat foods, fast foods and restaurant food. Eating habits have become more adventurous, with consumers turning more towards ethnic cuisines and spicy foods. What has been termed the “hot trend” in spices is increasing per capita consumption of spices like pepper, chilli, ginger and mustard.

Food companies (including snack-food companies) are growing not only in the traditional industrialized markets but also in new developing country markets. The cuisine in some of these promising new markets (e.g. India and China) is complex and uses a variety of spices. Food companies need to recreate the same taste and flavor profiles to capture such markets. The option open to them lies in the spices they use and how they are used.

In case of spice oils and oleoresins, after an initial growth in the 1970s, usage stabilized. However, due to bacteriological problems, oleoresins have assumed greater significance more recently. Spices in other forms, such as encapsulated spices, are entering the market, which could not only influence the usage pattern but also affect the actual amount of spices used, particularly in the industrial sector.

Spices are available, other than the 100% natural spice, in the following forms:

- encapsulated spice extractives extend on a salt or dextrose carrier;
- encapsulated spice oils and oleoresins;
- homogeneous, free flowing oleoresin with the complete profile of the spice;
- solvent extracts containing a complete flavor profile of spice.

Food technologists of leading spice companies state that they can apply spice alternatives singly or in blends to meet any taste. The advantages of these alternatives are reliable service, consistent quality and no bacterial contamination. Although the amounts of these new forms are relatively small, they are likely to gain ground with industrial users.

Imports

World trade of spices amounted to approximately US\$ 1.9 billion in 1996 accounting for a slight increase of 4.6% since 1995. The major spice producing countries include Indonesia, India, Viet Nam and Brazil. Although the recent economic crisis in Asia has a limited impact on exports, one of the more important reasons related to the relatively small increase in world imports is due to the extreme weather conditions experienced in these regions. Extremely dry conditions in Eastern Indonesia and unseasonal rains in India, both of which are supposedly linked with the El Niño phenomenon, have hampered the spice crop in both countries. As a result, production decreased leading to a depletion of stock of various spices. The pepper vines in Brazil were also affected, owing to a vine disease thus reducing the quantities exported to a great extent.

The principal import markets for spices are the European Union followed by the United States and Japan. However, the United States is the single largest import market for spices in the world. Other important markets include Singapore, Saudi Arabia, Malaysia, Canada and Hong Kong. The following table gives major spice importing countries in the world.

Table 1: World imports of spices

(Q : metric tons V : US\$ '000)

	1992		1993		1994		1995		1996	
	Q	V	Q	V	Q	V	Q	V	Q	V
Total imports	922,686	1,575,637	850,611	1,502,958	848,579	1,580,965	852,117	1,837,261	813,115	1,921,531
of which:										
European Union	194,042	443,406	197,795	420,052	206,815	483,906	219,423	595,893	215,328	591,238
USA	136,125	298,635	128,627	283,436	146,329	331,009	136,715	343,340	159,782	378,072
Japan	88,801	133,211	78,509	135,779	87,796	137,249	114,669	180,894	112,053	238,517
Singapore	97,618	105,708	95,854	105,804	86,404	103,642	82,824	120,333	85,509	139,090
Saudi Arabia	27,430	60,783	25,778	47,200	21,970	36,832	32,827	68,884	33,486	63,491
Malaysia	40,416	34,542	41,821	37,343	38,621	33,731	32,318	36,153	-	49,795
Canada	14,549	38,616	15,633	45,134	16,658	46,245	16,946	50,109	18,490	46,758
Hong Kong	45,130	52,879	48,001	51,904	45,422	57,059	35,834	47,831	32,400	46,569
Republic of Korea	12,404	21,075	7,381	12,635	9,733	16,834	14,759	32,507	14,150	39,539
Mexico	18,522	45,274	12,535	34,928	15,190	36,752	8,603	27,608	-	33,592

Source : Comtrade UNSO/ITC

The import markets covered under this file are the European Union and the East European

markets of Poland, Czech Republic, Hungary and the Russian Federation.

Producers and market structure

An analysis of the consumption pattern for spices in industrialized countries, which represents the largest part of the international market for spices, shows that some 50% to 60% is used by industry, mainly food industries. About 10% is used by the catering sector and the remaining 30% to 40%, is consumer packed and sold through retail shops for domestic use. The household and catering segments of the market are dominated by a few multinational companies like McCormick and Burns Philip, which have entered into joint-ventures with companies in producing countries. The industrial market is a niche in the overall spice trade that is of particular interest to spice producing countries, intending to expand their exports of processed spices.

The trend, in the spice industry, over the last ten years has been towards global sourcing to satisfy ever increasing quality requirements from end users. Although this trend is expected to continue for another few years, industry sources say that major companies like McCormick should be able to source about 80% of their needs and the remaining 20% is to be obtained from external sources.

II. EUROPEAN OVERVIEW

Tropic spices are usually not essential ingredients in traditional European cuisine, except for black pepper. Cinnamon and cloves find their main applications in sweet dishes, ginger and nutmeg are used, although in very small quantities. Cardamom is almost unknown in most of Europe and is used principally by the Scandinavians to flavor bread and pastries. However, Europe's local cuisines use a lot of herbs from the Mediterranean, mainly, bay leaves, marjoram, oregano, rosemary, savoury and thyme, most of which can be grown in moderate climates. Onion and garlic are cultivated in Europe. However, because of its strong odor, garlic is less appreciated especially in North Europe and onion is more used as a vegetable.

Most spices are imported into Europe, although there are some spices, like caraway, celery, chives, horseradish, juniper, mugwort, southernwood and water cress, which are grown in Europe. Hungary is well known for its paprika (bell pepper) and its variety of diverse chiles, which are less enjoyed in other European countries.

Spices are utilized in most segments of the food processing industry, particularly in the processing of meat, fish, canned products, bakery goods and other prepared and convenience foods. In most cases, the meat industry is, by far, the largest user of a wide range of spices.

The consumption of spices in the non food sector, in pharmaceuticals and perfumery, is not in general appreciable and does not have any significant effect on overall demand. Certain spices like aniseed, badian and juniper are predominantly used in distilleries in the manufacture of gin and other alcoholic beverages.

Restaurants, hospitals and schools are some of the other end-users of spices, although the quantities consumed by these sectors are small.

Selected import markets

A. *European Union*

Imports

With US\$ 519 million, the European Union is the largest importer of spices in the world. In 1996, the principal importers within the EU were Germany, which accounted for 25.3% of total EU imports in terms of quantity, followed by the Netherlands (19.4%), the United Kingdom (16.1%), Spain (11.5%) and France (11%). Imports of spices have been relatively stable in the last few years.

Table 2 gives the EU imports of spices, by country. It should be noted that, although statistics for Austria, Finland and Sweden are given for the years 1992-1994, these countries joined the EU only in 1995. Therefore, data for the years prior to 1995 cannot be compared.

Pepper was, by far, the most important spice imported for the given period. Imports of pepper, including capsicum (paprika), amounted to US\$ 305 million (107,743) tons in 1996. The other more important spices imported over the five-year period, ranked in terms of quantity and main suppliers are:

Pepper	Indonesia, Brazil, Morocco
Seed Spices	Turkey, Russian Federation and Egypt
Spice mixtures	Tunisia, Turkey
Ginger	Brazil, Costa Rica
Cinnamon	Sri Lanka, Madagascar

Annex I-A gives EU imports of spices, by spice and by country of origin.

The market share of least developed countries (LDCs) was relatively small, except for Madagascar (cloves and vanilla) and Comoros (vanilla). Most spices are supplied by the developing countries and account for about 60% of the suppliers of spices to the EU.

Table 2: European Union, Imports of spices by country

(Q : metric tons V : US\$ '000)

	1992		1993		1994		1995		1996	
	Q	V	Q	V	Q	V	Q	V	Q	V
Total	194,042	443,406	197,795	420,052	206,815	483,906	219,423	595,893	215,328	591,238
of which:										
Germany	52,492	122,336	51,457	113,709	51,590	128,983	53,945	153,743	54,471	144,725
Netherlands	29,400	50,352	31,319	48,434	36,899	67,377	37,802	82,564	41,721	91,173
United Kingdom	29,466	50,192	32,812	51,740	31,826	54,844	37,621	80,047	34,662	69,392
Spain	28,147	55,727	22,748	45,191	28,627	53,925	29,968	63,945	24,708	69,983
France	22,372	62,438	24,424	64,328	21,400	66,312	22,968	76,359	23,722	76,349
Belgium-Luxemburg	7,928	24,112	8,678	23,050	8,580	26,801	9,428	35,122	10,248	37,204
Italy	6,691	24,010	7,200	30,395	7,928	23,322	8,468	27,697	8,131	29,104
Austria *	5,235	11,324	5,604	11,410	5,692	13,976	7,124	20,046	7,457	20,139
Sweden *	3,763	13,441	4,088	13,325	4,288	15,359	n.a.	16,812	n.a.	16,643
Denmark	3,252	10,802	3,325	9,446	3,702	11,655	4,268	14,967	4,360	15,429
Portugal	n.a.	5,032	n.a.	4,467	1,882	4,730	1,924	5,583	2,584	8,209
Finland *	1,443	4,834	1,374	4,943	n.a.	6,162	1,491	5,966	1,847	6,847
Greece	2,963	4,821	3,580	5,662	2,812	4,808	2,983	6,636	n.a.	n.a.

* joined EU in 1995

Source : Comtrade UNSO/ITC

The principal end users of spices and herbs in the EU are the food industry and the retail packers. The industrial segment includes not only food processing but also spice mixing for meat factories, butchers, bakers and, packers for the catering sector; the latter tends to account for 10-15 per cent of total spice usage in most markets.

Distribution channels

The main parties involved in the distribution of spices are the various intermediaries (agents/brokers, traders/importers, grinders/processors) and the end users². Traditionally, spices were bought from dealers or through brokers' agents. However, at present, direct contact between importers, industrial users and suppliers in producing countries is more prevalent.

The trade channel frequently used by new exporters is that of importers or traders, who buy bulk quantities of non ground spices. Local importers, processors and packers have long established links with their customers and are in a better position than distant processors to know the requirements of the local market and of individual end users. They supply supermarket chains directly and are able financially to support exclusive contracts and advertising campaigns. This is why the prospects for exporting processed consumer packed spices directly from the countries of origin are low; a very high percentage of spices and herbs imported are dried and cleaned, but not processed.

The spice trade relies on mutual trust and confidence between the seller and buyer. Large trading companies as well as the grinders/processors establish close relationships with their suppliers through visits and, they provide technical assistance on matters such as harvesting and production.

Although, new suppliers often face fierce competition from the already existing ones, producers with high quality product, whose properties distinguish them from those of their competitors in flavor, color and essential oil, have better opportunities. Prospective exporters should approach potential importers with fully detailed specifications, supply quantities and shipment times as well as a sample of the product to be exported.

The major trading centres for spices are Rotterdam, Hamburg and London. Large quantities of spices and herbs are transhipped from these centres to all European destinations.

Prices and commercial practices

The price of spices is influenced by many factors such as the type of spice, its origin, quality, method of drying/cleaning and predictions about the forthcoming harvest. These factors can cause considerable fluctuations in both physical and the futures market for different spices. Due to bad

² **Agents and brokers** are independent companies who act as intermediaries between the buyer and seller, negotiating and settling business on behalf of their principals. They do not buy and sell on their own account. **Traders/ importers** import on their own account and sell to grinders/processors and to the major end users. The larger importers undertake cleaning and grinding activities and export spices to other markets. Smaller traders import directly as well as buy from larger traders.

Grinders or processors : large blenders and packers are increasing their direct purchases of spices from producers/exporters as well as purchasing from importers/traders. The latter channel ensures continuous supply of specific spices throughout the year. **End users** include retail outlets such as supermarkets, butchers, bakers etc., the food industry and the catering sector, who purchase directly from the importers/trading companies and from blenders and packers.

weather conditions, hence smaller crop, prices of pepper, cumin, and coriander shot up in 1997. On-the-shelf spice prices continue to rise as well due to the fragmented nature of the spice trade; traders have little hope of preventing retailers exploiting widening price margins for the commodity.

Table 3 presents the current prices of selected spices. Exporters, who would like to have detailed price information may subscribe to the various sources, some of which are:

Market News Service
International Trade Centre UNCTAD/WTO
Palais des Nations
1211 Geneva 10
Switzerland
Tel: (41 22) 730 0111
Fax: (41 22) 733 7176/730 0572
E-mail: itcreg@intracen.org
url: <http://www.unicc.org/itc/>

The Public Ledger
LLP Limited,
69-77 Paul Street
London EC2A 4LQ
United Kingdom
Tel: (44 171) 553 1263
Fax: (44 171) 553 1106
Tlx: 837027 PLG

These publications are disseminated on a weekly basis and cover trends and global market prices of selected spices. Major brokers and traders publish regular market reports in order to advise their customers about supply, demand and price developments.

Major importing companies have standard contract forms that specify the agreed quality, price, shipment conditions, arbitration and payment terms. Most traders prefer CIF or C&F port of destination quotations in major trading currencies. New exporters are usually paid only after receipt and acceptance of the shipment, while established suppliers tend to be paid cash against documents.

Exporters from developing countries should pay attention to the following conditions, which are of primary importance, while exporting:

- guaranteed product quality;
- prompt delivery;
- reasonable and realistic prices and
- regular communication with importers.

Table 3: Prices (US \$/mt) of selected spices on 16 February, 1998.

Spice	Origin	Price type	Price
Cardamoms	Guatemala bold mixed green	nominal	8500.00
	Guatemala seeds		3250.00
	Guatemala sun dried		2500.00
Caraway seed	Dutch ex store		700.00
	East Europe fot Rotterdam		650.00
Cinnamon bark	Seychelles	cif	1600.00
	Madagascar	cif	1350.00
	Sri Lanka 3/6 inch strips		9200.00
	Sri Lanka chips		725.00
Cloves	Madagascar	cif	1 175.00
	Sri Lanka stems	cif	700.00
Coriander seed	Bulgaria - whole	cif	925.00
	Egypt - whole	cif	1600.00
	India - whole	cif	1000.00
	Morocco - whole	cif	2200.00
	Romania - whole	cif	950.00
	Russia - whole	cif	875.00
Cumin seed	India	cif	1700.00
	Iran	cif	1900.00
	Turkey	cif	1950.00
Fennel seed	India	cif	950.00
	Egypt	cif	1250.00
Fenugreek seed	Morocco	cif	1100.00
	India	cif	500.00
	Australia	cif	525.00
Ginger	Nigeria - split	cif	1200.00
	Cochin	cif	1450.00
	China - sliced	cif	1550.00
	China - whole	cif	2000.00
Mace	East Indies broken No. 2 cif	spot	10000.00
		shipment	95000.00
	Papua broken No. 2 cif		8500.00

Spice	Origin	Price type	Price
Nutmeg	Indonesia sound shrivels	spot	4100.00
		shipment	4000.00
	Indonesia BWP	spot	3800.00
		shipment	3700.00
	Indonesia ABCD	spot	4200.00
		shipment	4100.00
Pepper (black)	Sarawak, black label	spot	4300.00
		shipment	4100.00
	Brazil, grade 1	spot	4800.00
		shipment	4600.00
	India MG 1	spot	4500.00
		shipment	4000.00
	Vietnam, min 500g/l	spot	4250.00
		shipment	3800.00
Turmeric	Madras fingers	cif	1025.00
Vanilla	Madagascar type, extract grade, delivered	US (\$/lb)	12.25
	Madagascar origin, standard grade	cif Europe (\$/kg)	40.00

Source : The Public Ledger, February 16, 1998.

Market Access

Customs tariffs

The European Union applies the Common Customs Tariff to imports from non-EU sources. However, imports originating from ACP and least developed countries (LDCs) are exempt from import duties. This exemption only applies when consignments are accompanied by an official certificate of origin EUR1.

Generalized System of Preferences (GSP) treatment is accorded to several developing countries, who need to fill Form A, to benefit from zero tariffs; Form A is the documentary proof of origin for the developing countries.

The EU has signed bilateral free trade agreements with countries of Central and East European countries of Hungary, Poland, the Czech and Slovak Republics, Bulgaria and Romania. It has also signed agreements with Turkey, Cyprus, Malta and Israel and regional agreements with the Maghreb countries (Morocco, Algeria and Tunisia) and the Mashraq countries (Egypt, Jordan, Lebanon and Syria). Member countries of the EFTA enjoy tariff-free entry into the EU markets.

In addition to the tariff regime of the EU (Table 4), a Value-Added Tax (VAT) rate is applied.

The contract between the exporter and importer generally specifies the required packaging and labeling. Conventional packaging for most of the important spices and herbs are jute or sisal sacks or woven polythene bags of variable capacity, preferably lined with plastic, to make it waterproof. The bags must be cleaned and disinfected before being reused. Steel drums or wooden cases are used for certain spices. Spices such as vanilla and saffron are generally packed in metal boxes and then put into wooden crates or cardboard cartons.

Before shipment, spices and herbs must be thoroughly dried to avoid formation of mould. Care should be taken to prevent loss of flavor and color while drying. Importers are also required to fumigate against insects before shipping.

Labels must indicate the name of the spice, date, net weight, state (whole, crushed, etc.), country of origin, and batch number. Irradiated spices must be marked "spices treated by ionization" or "spices treated by ionizing radiation". Accompanying documents must provide details of any treatments the product has undergone, the name of the product, weight, country of origin, batch number and year of harvest. Other specifications are generally mentioned in the contract by the importer.

The retail spice container must have a long after sale shelf life. Spices are used only in small quantities and infrequently. Therefore a container must reclose securely and keep the spice in good condition for periods of a year or more. They are usually kept in the kitchen, often in the hottest and dampest area.

Spices are not an essential item, but more a luxury, in many European homes. The containers are often displayed on shelves and are generally packed in containers of the same appearance and size. Most often, a glass jar with a plastic screw cap is used. Such a container keeps the moisture and odors out, opens and recloses easily and keeps the volatile components from escaping. The glass container is usually very thick and heavy to withstand frequent handling. Plastic, aluminium and high density polyethylene containers are used to some extent but are not widespread.

The two areas to concentrate on are the label and the cap. Both are usually color coded for easy identification of the required spice. The label is very often neglected, especially in developing countries, but could be the key to selling a product. The paper used should be of high quality and the label designed, preferably by a graphics designer.

Since the glass jars containing the spices are of the same size, the quantity of the product in it varies according to its volume. The content ranges from 2g to 60g and the jar is always reasonably full.

The bulk of spices entering international trade is in the whole and unground form. Since cultivation takes place in rural areas, the practices followed by farmers tend to be rudimentary, often resulting in unclean products and liable to microbiological contamination. As spices are primarily used in food, the need for clean and bacteria-free spices is of utmost importance. The importing and consuming countries are increasingly applying stringent phyto-sanitary regulations on imports. Contamination of spices, particularly that of pesticide residues is critical. Furthermore, with the banning of ETO (ethylene oxide) as a fumigant in Europe and unacceptance of irradiation by consumers, the removal of bacterially loaded spices is a priority issue on both environmental and health considerations. It is imperative that producing and exporting countries need to take

immediate steps to upgrade the quality of spices through the adoption of better post-harvest handling methods, adequate storage facilities, packaging etc. In effect, quality assurance needs to commence at the farm level and follow through to exports.

Although spices and herbs may not be suitable substrates for the growth or long term survival of salmonella, occasional salmonella contamination has been found in spices and herbs. This has been a cause of special concern because spices and herbs are often used in foods that are consumed raw, or they are added to foods after cooking, while herbs are frequently consumed after maceration or infusion, without boiling. The authorities in the consuming countries are increasingly applying very stringent phyto-sanitary regulations.

Uruguay Round Agreement on the Application of Sanitary and Phytosanitary Measures

This agreement concerns the application of measures to protect animal life or health. Sanitary (human and animal health) and phytosanitary (plant health) measures are applied to domestic products and products from other countries. By their very nature, these measures may restrict trade. Member countries have accepted the fact that some trade restrictions are necessary and appropriate in order to ensure food safety (which is a highly emotive issue among consumer groups and environmentalists) and animal and plant protection. However, some measures have the effect of erecting non-tariff barriers to trade providing protection to domestic producers. The technical complexity of many of these measures makes them difficult to challenge.

The basic aim of the SPS Agreement is to maintain the sovereign right of any government to provide the level of health protection it deems appropriate, but to ensure that this sovereign right is not misused for protectionist purposes and does not raise unnecessary barriers to international trade. The Agreement seeks to increase the transparency of SPS measures. It also seeks to reduce arbitrariness in decision-making and to check unjustified discrimination. Furthermore, it encourages governments to harmonize their standards with international standards.

SPS measures can take many forms. They may require products to come from a disease-free area, provide for the inspection of goods, set allowable maximum levels of pesticide residues and determine permissible levels of certain additives in food. Under the Agreement, countries will need to establish SPS measures on the basis of an appropriate assessment of the actual risks involved. If requested, they are obliged to make known the factors they took into consideration, the assessment procedures they used and the level of risk they determined to be acceptable. This open scrutiny of food safety standards and animal and plant health regulations, and the systematic communication of information and exchange experiences among member countries are accepted to provide a better basis for rational standards.

Promotion

One of the best ways to promote spices in the European markets is to participate in the different trade fairs held all over Europe. Annex III gives a list of a few trade fairs with details on the organizers.

Table 4: Tariff regime for the European Union

CN Code	Spice	Base rate of duty (%)	Tariff for 1997 (%)	Bound rate of duty (%)
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0904	Pepper			
0904.11.10	- neither crushed nor ground : for industrial	Free	Free	Free
0904.11.90	manufacture	10.0	Free	Free
0904.12	Other	12.5	4.0	4.0
	Crushed or Ground			
0904.20.10	Fruits of the genus capsicum : neither crushed or	12.0	10.8	9.6
0904.20.31	ground	Free	Free	Free
0904.20.35	Sweet peppers	Free	Free	Free
0904.20.39	Other - of the genus capsicum	10.0	5.0	Free
0904.20.90	- for industrial manufacture	12.0	5.0	5.0
0905.00	Other	11.5	8.8	6.0
0906.10.00	Crushed or ground	8.0	Free	Free
0906.20.00	Vanilla	8.0	Free	Free
0907.00	Cinnamon - neither crushed nor ground	15.0	10.0	8.0
0908.10.10	Cinnamon - crushed or ground	Free	Free	Free
0908.10.90	Cloves (whole fruit, cloves and stems)	10.0	5.0	Free
0908.20.10	Nutmeg - neither crushed nor ground	Free	Free	Free
0908.20.90	Nutmeg - other	8.0	4.0	Free
0908.30.00	Mace - neither crushed nor ground	Free	Free	Free
0909.10.10	Mace - crushed or ground	10.0	Free	Free
0909.10.90	Cardamoms	23.0	10.0	Free
0909.20.00	Seeds of anise	Free	Free	Free
	Seeds of badian			
0909.30.11	Seeds of coriander	Free	Free	Free
0909.30.19	Seeds of cumin	5.0	Free	Free
0909.30.90	- neither crushed nor ground : for industrial	10.0	Free	Free
	manufacture			
0909.40.11	- other	Free	Free	Free
0909.40.19	Crushed or ground	5.0	Free	Free
0909.40.90	Seeds of caraway	10.0	Free	Free
	- neither crushed nor ground : for industrial			
0909.50.11	manufacture	Free	Free	Free
0909.50.19	- other	5.0	Free	Free
0909.50.90	Crushed or ground	10.0	Free	Free
0910.10	Seeds of fennel; juniper berries	Free *	Free	Free
0910.20.10	- neither crushed nor ground : for industrial	16.0	8.0	Free
0910.20.90	manufacture	19.0	10.0	8.5
0910.30	- other	Free	Free	Free
0910.40	Crushed or ground			
0910.40.11	Ginger - whole roots, pieces or slices	Free	Free	Free
0910.40.13	Saffron, neither crushed nor ground	14.0	7.0	7.0
0910.40.19	Crushed or ground	17.0	8.5	8.5
0910.40.90	Tumeric (curcuma)	14.0	7.0	7.0
0910.50	Thy me, neither crushed nor ground	Free	Free	Free
0910.91.10	Wild thyme	20.0	10.0	Free
0910.91.90	Other	25.0	12.5	12.5
0910.99.10	Crushed or ground	Free	Free	Free
0910.99.91	Bay leaves	20.0	10.0	Free
0910.99.99	Curry	25.0	12.5	12.5
	Spice mixtures, neither crushed nor ground			
	Crushed or ground			
	Other spices - fenugreek seed			
	Other spices, neither crushed nor ground			

* 17.0% for imports other than those used for industrial manufacture of essential oils or resinoids.

B. Eastern Europe

Table 5: Imports of spices into the major spice-importing countries in Eastern Europe

(Q : metric tons V : '000US\$)

	1992		1993		1994		1995		1996	
	Q	V	Q	V	Q	V	Q	V	Q	V
Total	7,210	18,187	15,587	31,921	16,176	51,141	22,466	66,276	14,931	69,497
Poland	2,198	3,239	4,977	7,383	6,394	12,669	6,760	16,165	7,035	16,377
Czech Republic	-	-	4,532	12,008	5,241	15,285	5,244	16,960	n.a.	15,138
Hungary	1,512	2,988	2,524	5,177	2,568	6,898	2,978	9,223	2,764	9,415
Slovakia	-	-	-	-	n.a.	5,962	2,028	5,868	2,138	6,415
Croatia	1,713	3,753	1,135	2,814	n.a.	3,611	1,187	4,037	n.a.	4,330
Romania	n.a.	2,021	1,276	2,116	n.a.	1,520	n.a.	3,826	n.a.	3,605
Slovenia	1,255	2,876	1,143	2,423	993	2,629	1,243	3,228	1,192	3,428
Latvia	-	-	-	-	330	692	505	2,069	807	3,125
Lithuania	-	-	-	-	650	1,765	1,148	3,031	965	3,077
Yugoslavia	n.a.	2,046	-	-	-	-	-	-	n.a.	2,463
Estonia	-	-	-	-	-	-	1,298	1,691	n.a.	1,967
Bulgaria	532	1,264	-	-	-	-	-	-	-	-
Rep. of Moldova	-	-	-	-	n.a.	110	55	166	-	-
Krygystan	-	-	-	-	-	-	20	12	30	157
Russian Fed. *	-	3,965	-	5,155	-	5,990	-	6,711	-	6,859

* : Figures are based on export data of reporting countries.

Source : Comtrade UNSO/ITC

1. Poland

Imports

Poland is the largest importer of spices in Eastern Europe with imports amounting to approximately US\$ 16 million (7,035 tons) in 1996. Black pepper is the major import item accounting for about 50% of the volume of imports (3,517 tons), followed by capsicum or paprika (2,067 tons). Smaller quantities of vanilla, cinnamon, nutmeg are also imported (see Annex I-B for statistics).

The following are some of the more significant spices imported, ranked in terms of value and major suppliers:

Pepper	Indonesia, India and Viet Nam
Capsicum	Spain and Jamaica

Spice mixtures	Germany and Austria
Thyme, bay leaves	Turkey

The share of LDC's in Polish imports is rather negligible, other than Madagascar that mainly exports vanilla and cloves.

The industrial sector remains the largest consumer of spices, the meat industry being the biggest user of a number of spices like pepper, capsicum and ginger. The baking industry uses important amounts of vanilla and cinnamon while the retail sector consumes mainly pepper.

Distribution channels

Since the abolition of the exclusive and import role of Poland's foreign trade companies in 1990, several traders at the retail and wholesale levels have emerged. However, only Polish residents or companies based in Poland may act as wholesale distributors of goods and services.

Foreign companies exporting their goods to Poland use a variety of distribution channels, including privately owned, state-owned or joint-venture distribution networks. The former state-owned foreign trade enterprises continue to play an important role in domestic distribution. Several of them have been privatized and although many of these companies have begun to diversify their activities, most of them continue to specialize in selected product groups.

Many foreign companies sell their goods directly to wholesalers or retailers or establish their own wholesale warehouses, shops or retail networks, rather than going through the traditional foreign trade enterprises.

Spices must be declared for entry within 14 days of arrival at the customs clearance post. Goods remaining unclaimed will be sold and the proceeds used to pay customs duties and storage charges.

Exporting to Poland requires the single administrative document (SAD) as the only approved form for customs clearance. The details to be filled include: party to the sale contract, terms of delivery and payment, customs procedure and the country of origin of the imports. A pro forma invoice proving the value of goods with a statement of origin (important for countries that could benefit from lower tariff rates) as well as a bill of lading or air waybill, a Shipper's Export Declaration and a quality control certificate from the ministry of health are also required.

Prices and commercial practices

Price controls do not apply to imports. Prices at the retail level are relatively stable, since spices are goods of mass consumption. Annex I gives sources of current price information.

Credit and payment conditions

Letter of credit payments are recommended for initial transactions. Where a letter of credit is established, 90-95 per cent of the invoice value is paid to the sellers on presentation of the

document, the balance on approval of goods at destination. Liberal payment terms such as open account are common for repeat business. Usual credit terms of 60 to 90 days apply.

When payments are transferred directly from the bank, local currency delays and the foreign exchange bank delays, average one to two months. The import cover is currently 6.1 months.

Each transaction is subject to a specific contract stipulating terms and conditions covering quality, quantity, packing, price, payment, shipment, documentation and arbitration.

Market access

Customs tariff

All commercial imports are subject to ad valorem import tariff based on the Harmonized Commodity Description and Coding System and the combined nomenclature of the EU of 1991. In compliance with the international agreements including the Uruguay Round agreement, Poland cut its import tariffs, effective from January 1995. The tariff regime for Poland is given Table 6.

Imports from countries that do not enjoy most-favored nation (MFN) status, the rates are twice as high, unless the MFN rate is zero, in which case a 25% rate is imposed. Imports from developing countries are granted preferential treatment under the Generalized System of Preferences. Goods imported from non-European developing countries whose per capita GDP is lower than that of Poland's, duties are reduced to 30% of the MFN rate. Some special regulations apply to border trade with the states of the Former Soviet Union.

Since 1988, Poland has established several duty-free zones, some of which are:

- EU Association Agreement;
- Central European Free Trade Agreement (CEFTA);
- Poland/EFTA Trade Agreement.

Table 6: Tariff regime of Poland

CN Code	Spice	Base rate of duty (%)	Tariff for 1997 (%)	Bound rate of duty (%)
0904	Pepper of the genus Piper; dried or crushed or ground	10.0	7.5	5.0
0905	Vanilla	10.0	8.0	6.0
0906	Cinnamon and cinnamon-tree flowers	10.0	7.5	5.0
0907	Cloves (whole fruit, cloves and stems)	10.0	7.5	5.0
0908	Nutmeg, mace and cardamom	10.0	7.5	5.0
0909	Seeds of anise, badian, fennel, coriander, cumin or caraway; juniper berries	30.0	10.0	19.0
0910	Ginger, saffron, turmeric (curcuma), thyme, bay leaves, curry and other spices.	30.0	10.0	19.0

Notes :

Imports from Developing Countries (GSP) are free, except for the following categories of spices:

0904.12, 0904.20.90 and 0906.20 : 6%

0909.30.90, 0909.40.90 and 0909.50.90 : 7%

Packaging, regulations and quality standards

All packaged or canned food products require Polish language labels stating product composition, nutritional value, recommended date of consumption, name and address of producer and product weight.

Except for small quantities of a spice blend, locally described as “artificial pepper”, (a mixture consisting of marjoram, coriander, caraway, chillies, etc.) and a few spice mixtures (for meat, chicken and salad), spices mostly go to consumers in unground form, packed in paper bags. Use of other types of containers remains limited.

Spices imported into Poland must conform to quality standards and specifications established by the Ministry of Health's Central Inspectorate of Sanitation (SANEPID). Each import consignment is subject to quality tests at the point of arrival. It is important for exporters to familiarize themselves fully with the standards, testing procedures and likely problem areas regarding quality of spices.

Promotion

Prior to marketing their products, exporters of spices should identify the specific import requirements of potential buyers and determine the marketing strategy to adopt.

There are several ways to approach the market, one of which is to contact importers directly by sending them samples together with the specifications and contractual terms, particularly price information and delivery conditions. Exporters may also advertise in trade journals and participate in trade fairs (see Annex III).

2. *Hungary*

Imports

Hungary's spice imports amounted to US\$ 9.5 million (2,764 tons) in 1996. This has been a considerable increase (215%) since 1992, when total imports were valued at US\$ 3 million. Pepper still is the largest import item (1,337 tons), followed by spice mixtures (738 tons). Some other spices that are imported in smaller quantities are: cinnamon, thyme and bay leaves and ginger (see Annex I-C for details).

The major suppliers are Indonesia (pepper, vanilla and nutmeg), Viet Nam (pepper and cinnamon) and Brazil (pepper).

Hungary is also one of the major producers and exporters of paprika. Domestic consumption of paprika is high, along with pepper, since they are important ingredients in many typical Hungarian dishes; both, the retail as well as the industrial sectors, use these spices widely. Vanilla and cinnamon are used in confectionary.

Distribution channels

To access the retail sector, exporters of spices to Hungary normally go through former state-owned foreign trade organizations and wholesalers. These entities, in turn sell the spices to smaller shops (on cash-and-carry basis) and to the retail stores they own.

Many exporters set up warehouses and sell directly to Hungarian wholesalers/retailers since they have been allowed to sell directly to legal entities, economic associations, specialized groups as well as individual entrepreneurs. In other cases, they establish joint-ventures with Hungarian traders to facilitate distribution.

Exporting to Hungary requires a commercial invoice and a document title to the goods. Exporters should consult importers for specific information regarding the exact number of copies of each document (certificates of origin, weight, phytosanitary standards, quality etc.). Each consignment should contain a packing list, and exporters should follow the importers suggestions regarding marking and labeling of packages (see packaging and quality standards).

Prices and commercial practices

For current market price information refer to sources mentioned in Useful addresses. Table3 gives the market prices of selected spices.

Letter of credit terms are recommended for new business and 90-95 per cent of the invoice value is paid on presentation of the shipping documents, the balance on acceptance of the goods at the destination. Usual terms of 30-60 days apply. In a transfer payment situation, foreign exchange bank delays average one to two months and local currency delays average up to a month. The import cover is currently 5.8 months.

Each transaction is covered by a specific contract agreed to between authorized representatives of buyers and sellers. The contract sets out terms and conditions concerning quantity, quality, price, packing, shipment, payment, documentation and arbitration procedures.

Market access

Customs tariffs

Customs valuation is on an ad-valorem basis. Hungary is a signatory of the Harmonized Commodity Description and Coding System (HS), and has adopted the HS of tariff classification. On January 1, 1996, a wide range of new tariffs came into effect as Hungary complied with agreements made between the European Union, the European Free Trade Association, the Central European Free Trade Association and with the requirements of the World Trade Organization. Table 7 gives the tariff regime for Hungary.

Hungary has other preferential trade agreements with Albania, Armenia, Belarus, Bulgaria, Cambodia, The People's Republic of China, Croatia, the Czech Republic, Estonia, Georgia, Israel, Kazakstan, Latvia, Lithuania, Moldova, Poland, Romania, Russia, the Slovak Republic, Slovenia, Turkey, Ukraine, Uzbekistan and Viet Nam.

Packaging, regulations and quality standards

Law IV of 1988 on food and its implementing decree No.10/1988 (VI.30) MEM-SZEM established rules for marking and labeling food products. The primary requirement for food is that labeling information must be in Hungarian. The label must also include: net quantity, name/address of producer (or importer), consumption expiration date, recommended storage temperature, listing of ingredients/additives, energy content and approval symbols from the National Institute of Food and Hygiene and Nutrition and the Commercial Quality Testing Institute.

Imports of spices will be permitted only after they have been tested and approved by the appropriate Hungarian officials or organizations. Certificates issued by foreign institutions, indicating the compliance of products with Hungarian standards are recognized only on a contractual basis. For further information, contact The National Inquiry Point within Hungary for standards information, Hungarian Standards Office, Ulloi ut 25, 1450 Budapest. Tel: (36 1) 118 3011, Fax: (36 1) 118 5125, Tlx: 22 57 23 norm h

Promotion

Trade fairs still remain one of the most effective means of entering the market. The Import Promotion Organizations can also be contacted. These organizations help in trade promotion activities (See Annex II and III for a list of useful addresses).

Table 7: Tariff regime of Hungary

CN Code	Spice	Base rate of duty (%)	Tariff for 1997 (%)	Bound rate of duty (%)
0904	Pepper :			
0904.11	Neither crushed or ground	52.0	40.0	44.2
0904.12	Crushed or ground	52.0	40.0 (a)	44.2
0904.20	Sweet peppers (neither crushed or ground)	52.0	48.1 (b)	44.2
0905.00.00	Vanilla	10.0	9.1	8.5
0906	Cinnamon and Cinnamon-tree flowers			
0906.10.00	Neither crushed nor ground	10.0	9.1	8.5
0906.20.00	Crushed or ground	10.0	9.1	8.5
0907.00.00	Cloves (whole fruit, cloves and stems)	40.0	9.1 (c)	20.0
0908	Nutmeg, Mace and Cardamoms			
0908.10	Nutmeg	10.0	9.1	8.5
0908.20	Mace	10.0	9.1	8.5
0908.30	Cardamoms	10.0	9.1	8.5
0909	Seeds of Anise, Badian, Fennel, Coriander, Cumin or Caraway, Juniper berries			
0909.10	Seeds of anise or badian	10.0	9.1	8.5
0909.20	Seeds of coriander	10.0	9.1	8.5
0909.30	Seeds of cumin :	10.0	9.1	8.5
0909.40	Seeds of caraway	10.0	9.1	8.5
0909.50	Seeds of fennel; juniper berries	10.0	9.1	8.5
0910	Ginger, Saffron, Turmeric (Curcuma), Thyme, Bay leaves, Curry and other spices			
0910.10	Ginger - whole roots, pieces or slices	15.0	12.3	9.6
0910.20	Saffron	15.0	12.3	9.6
0910.30	Tumeric (curcuma)	15.0	12.3	9.6
0910.40	Thy me, bay leaves	15.0	12.3	9.6
0910.50	Curry	15.0	12.3	9.6
0910.91	Spice mixtures	15.0	12.3	9.6
0910.99	Other spices	15.0	12.3	9.6

Notes :

- (a) 10.0% for imports from developing countries (GSP)
- (b) 44.5 % for imports from developing countries (GSP)
- (c) 9.1 % for imports from developing countries

Imports from the Czech Republic, Poland, Romania and Slovakia may be granted preferential treatment

Imports from Turkey and Slovenia - not applicable

EU and EFTA benefit from the same rate of duty as MFN

3. *Czech Republic*

Imports

Imports of spices totaled to US\$ 15 million in 1996, making the Czech Republic the second largest importer of spices, after Poland. Classified according to item, capsicum (paprika) was the most important spice to be imported, accounting for US\$ 5 million (1,869 tons), followed by pepper (808 tons), spice mixtures (545 tons) and ginger (421 tons) (Annex I-D).

The major suppliers include Spain and Hungary (capsicum), Viet Nam and Indonesia (pepper and cinnamon), China (ginger) and India (pepper and curry).

Paprika is widely utilized in both the industrial and retail sectors. However, pepper dominates in the household consumption of spices.

Distribution channels

The Czech market can be accessed by selling indirectly through agents, distributors or licensees. Another approach is through consignment stores, managed by Czech agents, from where distributors prefer to buy wholesale since they can inspect samples and get immediate delivery. Retail distribution is generally through local and foreign supermarket chains.

Prices and commercial practices

Retail prices are influenced by various factors including current market price, country of origin etc. For sources of price information see Annex II.

Import prices are generally quoted CIF or FOB. Liberal open account credit terms remain prevalent, although letter of credit terms are recommended for new customers. Usual credit terms of 60-90 days apply. In case of transfers, foreign exchange bank delays of one to two months are reported and local currency delays average to a maximum of one month. The import cover is currently 4.4 months.

Each transaction is governed by a contract covering quality, quantity, payment, shipping, arbitration, documentation etc. It is essential that exporters provide potential buyers with detailed specifications of the product by means of leaflets, brochures or catalogues.

Market access

Customs tariffs

The Czech Republic is a contracting party to the Harmonized Commodity Description and Coding System of tariff classification. All imports, except those from the Slovak Republic

(imports from the Slovak Republic are duty free), are subject to an ad valorem³ customs duty ranging up to 80%.

Imports from developing countries are granted preferential treatment under the Generalized System of Preferences (GSP). Under the GSP, 42 developing countries benefit from a duty exemption and 80 others are granted a 75% reduction from the applicable customs duties; tropical products are granted an 85% reduction from the applicable customs duties. Table 8 gives the tariff regime for the Czech Republic.

The Czech Republic is a member of CEFTA and enjoys duty free trade with member countries. The Czech and Slovak Republics also signed a free trade accord with the EFTA. Tariffs on imports from the European Union have been reduced as a result of an association between the EU and the Czech Republic. Separate bilateral free trade agreements with Romania and Bulgaria exist as well.

Packaging, regulations and quality standards

Although marking goods with the country of origin is not required, false indication of origin is prohibited. The Czech government has a national ecolabeling program in effect that is in full compliance with the EU regulations on ecolabeling. Principles of the program include clear definition of ecolabeling criteria and full compliance with Czech environmental protection laws. For further details on packaging, refer to the “*Manual on the packaging of dried herbs and spices*”, *International Trade Centre UNCTAD/WTO*.

Imports of spices must be licensed by the Ministry of Agriculture and consignments have to undergo a phytopathological examination at the border. A new law came into effect in January 1997, easing testing and certification of standards from imports to the Czech Republic. Although testing of food products is voluntary, they will be tested by local health authorities.

Local standards are gradually being replaced by European and international standards and the ISO series of standards is being used increasingly as evidence of product quality.

Control of product testing and standardization is directed by the State Office for Technical Standardization, Measurement and State Testing. The State Office, along with appropriate government ministries, decide on product certification, which is required to prove that product performance complies with technical standards.

Promotion

Standard promotional methods are used. Participation in trade fairs, is one of the more effective means to reach importers, distributors and retailers. To reach the end-users, most of the advertising is in print, followed by television, billboards and radio (Annex III).

³ Ad valorem : the basis for the duty is the price of the goods plus all expenses to the port of entry

Table 8: Tariff regime for Czech Republic

CN Code	Spice	Base rate of duty (%)	Tariff for 1997 (%)	Bound rate of duty (%)
0904	Pepper :			
0904.11	Neither crushed or ground	3.8	1.9	Free
0904.12.00	Crushed or ground	3.8	1.9	Free
0904.20	Sweet peppers (neither crushed or ground)	9.0	8.0	7.0
0905.00	Vanilla	3.5	1.8	Free
0906	Cinnamon and Cinnamon-tree flowers			
0906.10.00	Neither crushed nor ground	4.0	2.0	Free
0906.20.00	Crushed or ground	4.0	2.0	Free
0907.00	Cloves (whole fruit, cloves and stems)	5.0	2.5	Free
0908	Nutmeg, Mace and Cardamoms			
0908.10	Nutmeg	4.0	2.0	Free
0908.20	Mace	4.0	2.0	Free
0908.30	Cardamoms	4.0	2.0	Free
0909	Seeds of Anise, Badian, Fennel, Coriander, Cumin, Caraway, Juniper berries	4.0	2.0	Free
0909.10	Seeds of anise or badian	10.0	9.3	8.5
0909.20	Seeds of coriander	10.0	9.3	8.5
0909.30	Seeds of cumin	10.0	9.3	8.5
0909.40	Seeds of caraway	10.0	9.3	8.5
0909.50	Seeds of fennel; juniper berries	4.0	2.0	
0910	Ginger, Saffron, Turmeric (Curcuma), Thyme, Bay leaves, Curry and other spices			
0910.10	Ginger - whole roots, pieces or slices	4.0	2.0	Free
0910.20	Saffron	4.0	2.0	Free
0910.30	Tumeric (curcuma)	4.0	2.0	Free
0910.40	Thyme, bay leaves	4.0	2.0	Free
0910.50	Curry	4.0	2.0	Free
0910.91	Other spices : mixtures	4.0	2.0	Free
0910.99	Other	4.0	2.0	Free

Notes :

Imports from Hungary, Poland, Bulgaria, Latvia, Estonia, Israel, Lithuania and Developing countries may be granted preferential treatment and imports from Slovakia are duty free.

4. Russian Federation

Imports

As national import statistics of the Russian Federation are unavailable, assessing the size of the Russian markets is difficult. Based on statistics from the exporting countries, the main spices imported are pepper, spice mixtures, capsicum and nutmeg (see Annex I-E).

Some of the principal suppliers of spices to the Russian Federation include India (pepper and capsicum), Singapore (pepper and nutmeg) and the Netherlands for a lot of spices, which are mainly re-exports.

Distribution channels

Since 1992, the Russian Parliament liberalized laws regarding agents and distributors. The previous state-controlled, managed and owned distribution system was abolished and now foreign firms, exporting to Russia, are allowed to hire private agents or distributors to conduct transactions locally. The intermediaries include, wholesalers, agents, distributors and retailers which are generally food and grocery outlets, like supermarkets.

Prices and commercial practices

The retail prices may vary according to the price at which the spices are supplied, customs duties, built-in profit which takes into account taxes, changes in the exchange rate for the dollar on the day when customer settlements are made and the influence of the competitor.

Cash-in-advance terms are recommended for new business. Letter of credit with minimum credit terms can be used for established businesses. The usual credit terms that apply are of 90-180 days. In transfer situations, local currency delays as well foreign exchange bank delays average three to four months. The import cover is currently 2.5 months.

The contract sets out detailed terms and conditions concerning quality, price, shipment etc.

Market access

Customs tariffs

Duties are ad valorem based on the c.i.f. value. However, spices are exempted from the value added tax, upon import into the territory of the Russian Federation.

Imported goods are classified in accordance with the Commodity Nomenclature of the Foreign Economic Activity of the Russian Federation, which is based on the Harmonized Commodity Description and Coding System. Most imports from countries with the most favored nation (MFN) status are dutiable at a rate of 5% for all spices. Imports from developing countries (GSP) are entitled to 75% of the MFN rate and imports from LDCs are duty free.

Imports from Belarus, Kazakistan and Kyrgystan are eligible for preferential treatment. There are also trade agreements between the United States and the Russian Federation granting reciprocal MFN status, as well as free trade between the Russian Federation and the EU.

Packaging, regulations and quality standards

Russia's Antitrust Law requires all labels to be in Russian or in a foreign language and Russian. All food products, including spices, imported into Russia must be labeled in Russian. The labels should include the product expiration date, date of production, shelf life of product, ingredients, nutritional value, country of origin and instructions on use.

Any shipment to Russia must be accompanied by documents which prove that the product is applicable to Russian quality, safety and measurement standards. Spices are subject to safety certification under the State Quarantine Inspection and the Sanitary Epidemic Inspectorate "Sanepidnadzor". If the product meets the GOSSTANDART⁴ requirements, it receives a GOST-R Certificate.

Promotion

Trade shows in Russia have become an effective means of introducing products as well as meeting potential buyers and distributors (Annex III gives a list of some important trade fairs organized in Europe). However, Russian importers, particularly shuttle traders visit fairs and producers/exporters abroad.

⁴ The GOSSTANDART (Russian State Committee on Standards) tests and certifies products according to Russian Government standards, rather than other widely accepted international

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