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AT A GLANCE

The market for flavoring products (spices and herbs) is making a comeback after a mature period characterized by slow-growth trends in the mid-2000s according to recent research (Prepared foods, 2010). Globalization effects and the potential health benefits are the most significant factors which encourage consumers to make use of these seasonings in their cooking. This has led to an increase in value of the spices market and their imported volume.

In the United States of America (USA) domestic production is not sufficient to cover the domestic demand (Mintel, 2010) making the USA a net importing market for both spices and herbs. The USA market for spices is typically grouped together with that of coffee, tea and ready meals according to the Euromonitor International report (November, 2012). According to this report for the period 2006 – 2012 the market has grown by 21% in monetary terms, representing the second largest market within the food industry. During this period there was an average annual increase of 3%, which is equivalent to a total value of 144.1 billion US\$. The demand side of the market is dominated by households, which remain the primary consumer group with 57% of the total demand in 2012. This second place is held by restaurants, bars and canteens, which account for a stable market share of 33% during the same period (Passport, November 2012).

Examining the production trends, the turnover of local condiments and seasonings (a category which includes spices, sauces and vinegar) producers accounted for only 16% of the total turnover; however this was accompanied by an impressive 48% growth of this particular market segment for the period 2006 – 2012. The neighboring countries

Canada and Mexico are the major foreign buyers of American products however, these exports are mainly from the coffee market. US exports are dominated mainly by soups, ready meals and "other" food products. It is also interesting to note that in terms of annual growth per sector from 2008–2012, the Condiments and Seasonings fragment of the market, has overall decreased from approximately 10% in 2008 to 5.5% in 2012, with a negative trend of 0,5% in 2010, according to the Euromonitor International Statistics.



The attractiveness Index of Coffee, Tea, Spices and Ready Meals among other US industries in a stable economic environment as well as during economic downturns, an index which covers multiple parts of the industry's performance including the bargaining power of suppliers, have been rated as average in a stable economic environment and well in a risky economic environment.

II. Harmonizing Codes (HS Codes) for Spices & Herbs

The HS Codes indicated in the table below belong to the family of spices. The analysis is broken-down further according to sub-codes. In particular the sub-codes 0910, 0906 and 0904 are analyzed since they are the most highly consumed and traded goods within the spices category in the US market and of primary interest to this report.

09	Coffee, Tea, Mate & Spices
0712906500	Parsley, dried, whole, cut, sliced, broken or in powder, but not further prepared, NESOI
0712904040	Garlic, dried (except powder or flour), whole, cut, sliced or broken, but not further prepared
0712904020	Garlic powder or flour
1211909140	Basil, fresh or dried, whether or not cut, crushed or powdered
0904	Pepper, peppers and capsicum
090411	Pepper of the genus Piper, ex cubeb pepper, neither crushed nor ground
090412	Pepper of the genus Piper, except cubeb pepper, crushed or ground
090420	Fruits of the genus Capsicum or Pimenta, dried, crushed or ground
090422	Fruits of the genus Capsicum or of the genus Pimenta : Crushed or ground
090421	Fruits of the genus Capsicum or of the genus Pimenta : Dried, neither crushed nor ground
0908	Nutmeg, mace and cardamoms
0909	Seeds of anise, badian, fennel, coriander, cumin, etc.
0906	Cinnamon and cinnamon-tree flowers
090611	Cinnamon Cinnamomum eylanicum Blume (excl. crushed and ground)
090619	Cinnamon and cinnamon-tree flowers (excl. cinnamon cinnamomum eylanicu
090620	Cinnamon and cinnamon-tree flowers crushed or ground
090610	Cinnamon and cinnamon-tree flowers neither crushed nor ground
0910	Ginger, saffron, turmeric, thyme, bay leaves & curry
091010	Ginger
091011	Ginger : Neither crushed nor ground
091012	Ginger: crushed or ground
091020	Saffron
091030	Turmeric (curcuma)
091040	Thyme and bay leaves
091050	Curry
091091	Mixtures of two/more of the products
091099	Spices nes
0910996000	Spices NESOI ¹
0910992000	Origanum (Liooia Spp.) crude or not manufactured
0910990500	Thyme, bay leaves, crude or not manufactured
0910991000	Curry
0910995000	Dill
0910994000	Origanum (Liooia Spp.) NESOI
0910990600	Thyme NESOI
0910990700	Bay leaves NESOI

¹ Not Elsewhere Specified or Included

I. Spices Analysis

Ginger, Saffron, Turmeric, Thyme, Bay Leaves & Curry (HS Code 0910)

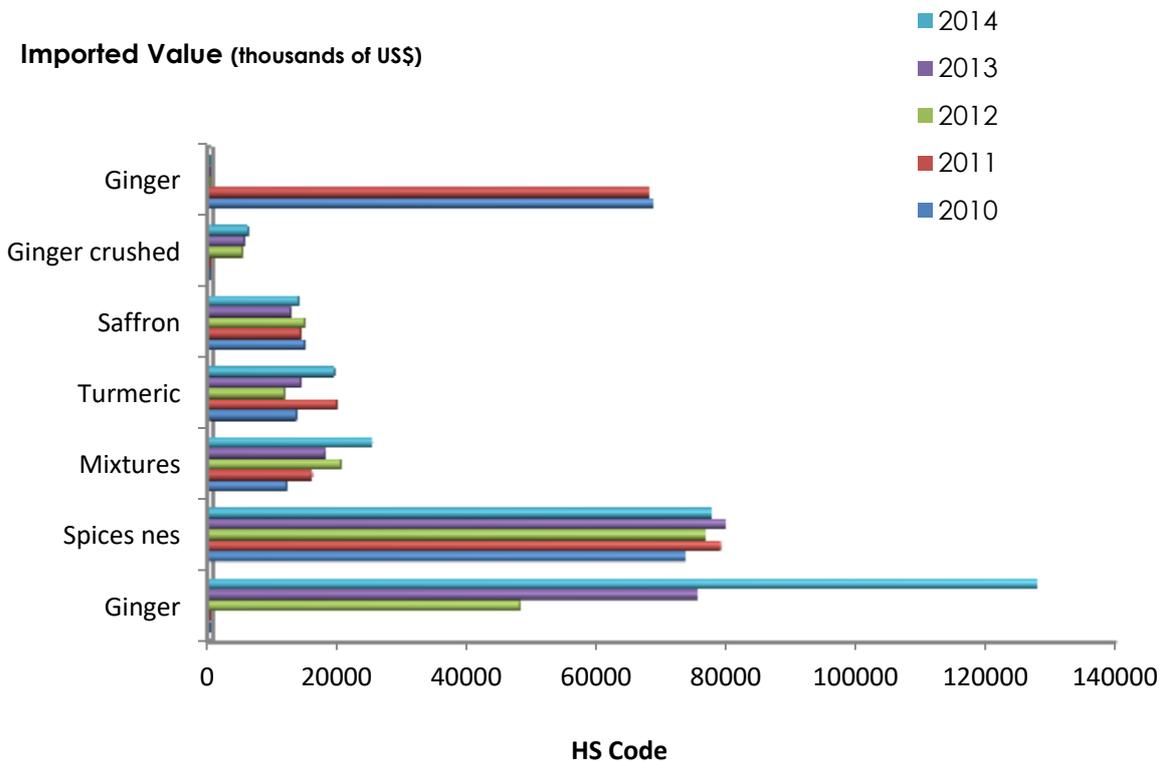


Figure 1 below illustrates the trade balance for the most highly traded sub-codes of the HS code 0910 (Ginger, Saffron, Turmeric, Thyme, Bay Leaves & Curry) in thousands of US dollars, according to the International Trade Center (ITC) statistics.

The products with the highest demand from this category are summarized below in order of decreasing value for 2014.



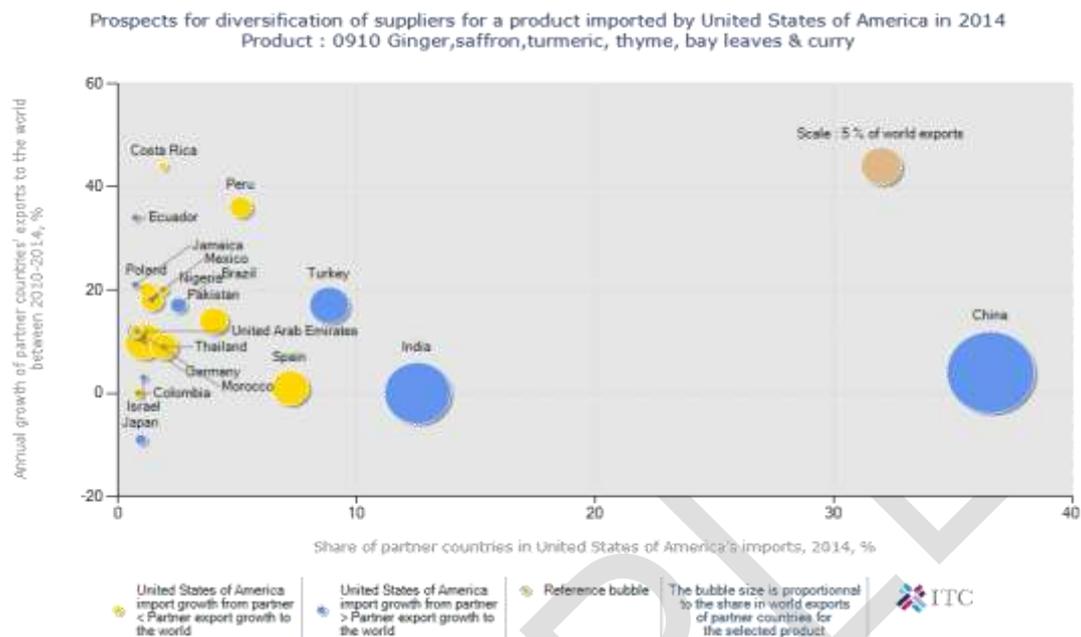
Figure 1 | USA Imported Value of Ginger, Saffron, Turmeric, Thyme, Bay Leaves & Curry (HS Code 0910)



Source: UN COMTRADE statistics



Figure 2 | Diversification of Suppliers for Ginger, Saffron, Turmeric, Thyme, Bay Leaves & Curry (HS Code 0910)



Source: International Trade Center (ITC)

HS Code 0910 “Ginger, Saffron, Turmeric, Thyme, Bay Leaves & Curry”, are amongst the products which are imported in the US market so to satisfy domestic demand. From figure 2 it is evident that the diversification of suppliers of spices to the US market is dominated by Asian exporters. In total the Asian exporters represent exactly 90% of the total imports in 2014. The leading exporters being China, India, Turkey, Spain and Peru.

China is by far the most dominating competitor for the domestic US market, in this particular market. A likely explanation is its natural competitive advantage in terms of suitable growing conditions and it's leading presence in the international markets. China is the world's largest economy by nominal Gross Domestic Product (GDP) and the world's leading economy according to Purchasing Power Parity (PPP). Additionally, China has been the world's largest growing economy for the past 30 years with average growing rates at 10% annually according to the International Monetary Fund (IMF).

Table 1 represents the imported values² by country for the period 2010 – 2014 and confirms that China is the most dominating exporter amongst its competitors for HS Code 0910.

²Import value indexes are the current value of imports (c.i.f.) converted to U.S. dollars and expressed as a percentage of the average for the base period (2000). (World Bank, 2005) In this case the values are presented in thousands of US dollars.

Table 1: Imported Value by Country to the USA

HS Code: 0910 (Ginger, Saffron, Turmeric, Thyme, Bay Leaves & Curry)
Unit: thousands of US\$

Exporters	2010	2011	2012	2013	2014
World	182,544	196,573	176,354	205,125	269,951
China	55,359	47,736	37,661	62,011	98,759
India	27,280	39,506	32,695	30,765	33,901
Turkey	12,215	14,014	17,692	24,684	23,931
Spain	18,440	19,952	21,738	15,780	19,528
Peru	6,934	7,987	6,932	6,710	13,923

Source: International Trade Center (ITC) calculations based on UN COMTRADE statistics

According to data from the ITC, China exported roughly half of the total imported value to the US, presenting significant competitive advantage from its largest competitor which is India. In monetary terms in 2014, China's imported value was three times that of India. This pattern is then continued with Turkey, Spain and Peru.

Amongst the five top competitors, Spain is the only European exporting country of this sub-category of spices to the USA and fourth in position with a relatively low imported value compared to the top Asian producers, marginally lower than that of Turkey.

3. USA – MARKET ANALYSIS

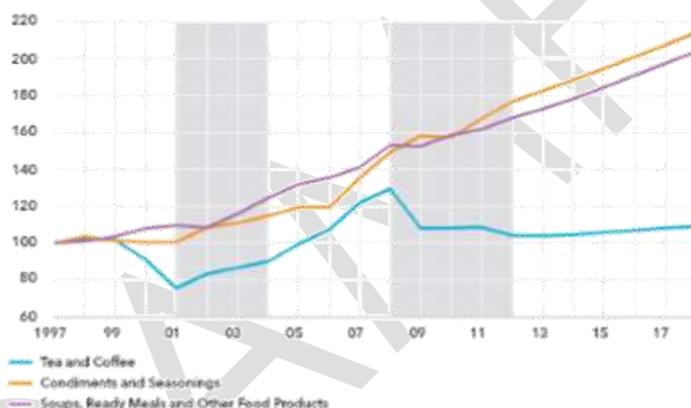
The US domestic market is not traditionally a producing market for herbs or spices. Apart from the climate which is not in favor of production, labor shortages and agricultural infrastructure are also barriers to growth of this industry in the US.

The American spice trade association (ASTA) plays an important role in the development and representation of the spice industry in the USA. According to its principal targets ASTA helps to ensure a clean and safe spice for the public share and to advance the global industry in the interest of its members and the entire supply chain.

Supply & Consumption

On an international level the US market for Spices and herbs is growing at higher rates than in the past. The graph below compares the global trend of three industry sectors; Tea and coffee, condiments and seasonings, and soups, ready meals and other food products. It indicates the condiments and seasonings sector is growing at the fastest rates.

Chart 3 Industry Sectors' Growth Indices 1997–2018



Source: Euromonitor International from official statistics, trade associations, trade press, company research.

Source: Passport Report, 2015

Even though the European and Asian consumers are the most prevalent consumers of spices, US consumers have recently developed an increasing interest in new exotic flavours and spicy tastes. According to the Passport Report, this change in US preferences has encouraged an increase in the demand for peppers and for hot sauces, the latter of which has grown by 150% since 2000 (Passport Report, Euromonitor,2015).

An increase in immigration from Latin America (mainly Mexico) and Asia has significantly contributed to this trend. Curiosity as a result of travel and the familiarity with different cultures and their cuisines is another factor which has contributed to the US change in preferences. Access to online shopping and therefore easier access to foreign ingredients is a relative new influential factor in support of this trend.

SAMPLE

**Chapter 5 | USA CONSUMER
TRENDS**

I. Mega Trends

Consumption of seasonings has increased due to a number of factors some important ones are considered below:

- **Organic production and certification:** is a strongly expanding market even though it is still relatively small in size. This indicates a competitive advantage for small markets such as the EU which has the potential to specialize and export in this niche market. This market possibly presents the strongest opportunity for new entrants in the spices market internationally.
- **Authentic, new experiences:** Consumers are developing more sophisticated tastes and are increasingly willing to experiment with new flavors and products. Globalization has played an immeasurable role in the tendency of consumers to be open to new tastes and habits. Ethnic food restaurants are becoming increasingly common in the US, even though they have always been available because of the large ethnic population in the US.
- **Increased tendency to migrate and to travel:** the improvement of technological is another result of globalization on consumer consumption patterns and the global market trends. Cheaper and easier possibilities for travel for both business and leisure have allowed potential consumers to become familiar with new tastes.
- **Healthy eating and health concerns:** increased awareness and concern to tackle obesity globally and specifically in the USA, have encouraged the average US consumer to adopt new cooking habits at home.
- **Easier access to foreign products and convenience:** globalization again has played a role in increasing and improving communication lines between countries. The original spices are therefore able to be imported directly from the producing country in limited time.
Packing herbs and spices together for consumer convenience along with the relevant recipes have become a growing trend in supermarkets.

These are some of the most influential factors that have encouraged the comeback of the spices market in the USA.

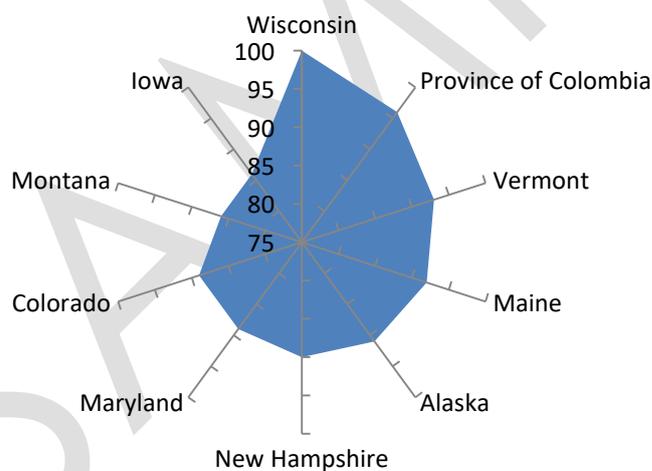
II. Digital Footprint

In order to study the US spices market and its consumer trends in a complete manner, it is essential to identify online consumer trends using a Google trend analysis. Google Trends calculates the number of searches that have been done by dividing the number of queries for the keyword, by the total number of Google search queries. The results of which can be grouped according to region, state, city or across time and the results are updated on a daily basis. There may be some inaccuracies which may occur (mainly including sampling issues and approximations) which have to be taken into consideration when the commentary is done. It is also important to note that the values are relative and not absolute (Reference: <http://whatis.techtarget.com/definition/Google-Trends>).

A graphical representation of the Google trends for each keyword and related phrase searched are presented and analyzed below.

The popularity of the term “spices” by state where consumers searched the term more frequently is presented. This can be a tool for potential exporters to determine which would be the best market in which they would like to invest in and locate a particular target group of consumers. Overall, the central and eastern states show an increasing interest for spices.

Figure 47 “spices” search by US State



Source: Google Trends, 2015

When searching the same term by city, it seems that the citizens in western cities are the ones more interested in spices, which can be interpreted as a higher willingness to search and potentially to pay of consumers found in these areas. This observation comes to contrast with the previous search that indicates a favorable climate in the central and western states. This might indicate that the preferences do not in fact follow some specific trend. Nevertheless these specific markets can be a potential market worth investigating and targeting.