Digestible and health promoting

THEY WERE THE REASON BEHIND WARS. COMPLETE ARMADAS WERE SENT AROUND THE WORLD LOOKING FOR THEM AND THEY TURNED POOR TRADERS INTO RICH ENTREPRENEURS. THEN AND NOW, SPICES ARE POPULAR TASTE ENHANCERS FOR CULINARY PLEASURES. BAKING+BISCUIT INTERNATIONAL TOOK A LOOK AT THE EUROPEAN MARKET

Fuchs

Whether it was Christopher Columbus in 1492 or Vasco da Gama in 1498 – no distance was too far for the European discoverers to find the Spice Islands and their promise of glory and wealth. The desire for an enhancement of meals at that time is not surprising as after all the only spice known was salt in the soup. Today, spices and seasonings are an important part in European cuisine. In particular, around Christmas, anise, cinnamon, ginger and other spices provide for the right aroma and taste in gingerbread, Stollen and cookies. Today, the origin of spices is no longer a secret. However, many buds, fruits, blossoms, seeds, bark, roots and bulbs have to travel long distances before they reach the bakeries. The average time by ship from the main cultivation area in Asia to Europe is 12 days.

The largest import market for the digestible and health promoting ingredients is America, followed by Germany, Japan and France. Rotterdam and Hamburg are worldwide the third and fourth largest trans- shipment centers for spices. Europe is the worldwide leading importer. The import quantity grew from 265,000 tons in 2003 to 321,000 tons in 2007. The spices most popular amongst the Europeans are pepper, capsicum (paprika) and allspice. 55-60% of the imported products are processed in the food industry; 35-40% is sold to consumers and the remaining 10-15% to food service companies. Very few spices are cultivated in the EU. According to FAOSTAT, the data base of the Food and Agricultural Organization of the United Nations, 124,000 tons were cultivated in 2007 in the EU. 62% accounted for the cultivation of capsicum in Hungary and Romania. The production of seeds for spices is in the order of 33%.

Consumer number one in Europe is Germany which accounts for one fifth of the total sales, followed by Great Britain, Romania and Hungary. The Association of the German Spice Industry calculates that the spices imported in the past year had a value of 266m Euros. Top of the popularity list are peppercorns with 24,800 tons, followed by ground capsicum (12,643 tons), ginger (5,472 tons) and caraway (3,319 tons). The quantity imported into Germany in 1978 amounted to 29,109 tons; thirty years later it had reached 84,936 tons.

The European Spice Association whose members are spice producers from the EU, Turkey and Switzerland has compiled guidelines for quality control purposes. The guidelines are based on Good Manufacturing Practice, Good Agricultural Practice and EU legislation. The goal is controlled cultivation and proper storage of the materials to prevent premature damage. Top priority are pure, well balanced and ready to use products. All company members agreed to only use pesticides in precisely defined quantities and only if absolutely necessary. Added to that, the origin of the spices must be traceable from harvest to the point of sale.

Immediately after the delivery has arrived, a comprehensive quality check takes place. Odor and taste are organoleptically assessed. The product must be free from components damaged by insects, insect parts, extracts of foreign plants or other visible contamination. The essential oil content, which determines the actual value, is also measured. Depending on the type of product, the water content of dried spices must be only 12% on average in order to prevent spoilage. Most of the largest producers have high-tech equipment for the cleaning, sterilization, cold grinding, sieving, mixing and filling of the spices.

There are only very few large spice companies within Europe. "The majority of smaller companies specialize in certain mixtures or groups of customers", explains Gerhard Weber, Managing Director of the European Spice Association, headquartered in Bonn, Germany. Only a few companies take the risk of expanding beyond the national borders.

This is very different to the American spice company, McCormick & Company, Inc., founded in 1889 as a small family enterprise. ▶

++ figure 1
McCormick's cultivation of ginger

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McCormick

The company is headquartered in Dallas and is now world market leader. In 1959, the first subsidiary was established in Europe – McCormick S.A. in Switzerland. In 1984, the spice giant again tested the waters in Europe. McCormick acquired the English market leader Schwartz. In 2000, the French Ducro company followed and since 2004, McCormick has also become the number one in the Netherlands with CM van Sillevoldt BV and its brand Silvo. It has acquired the Belgian brand, India as well.

In the meantime, spices and herbs for the McCormick brands in Europe have been produced in Avignon, France. The product range includes spices and seasoning mixes as well as ready-to-eat sauces and marinades. 7,500 people work in the production. McCormick reported in 2008 that 41.9% of all sales were achieved outside the US. The total sales in the past year have amounted to 3.2m USD (2.4m Euros) which is an increase of 8.9% compared to the previous year. Of this, Europe, the Middle East and Africa accounted for 15.5% in consumer sales and 8.7% in industrial sales. 41.7% of the sales and with that 18% of the corporate profits were generated with customers that further process the products. Even if the acquisitions indicate McCormick's effort to gain market leadership in Europe, the leading company is still the German Fuchs Group, founded in 1952 by Dieter Fuchs. Its list of customers includes consumers, the food processing industry, the food industry, large consumers and specialized wholesalers in Germany and abroad. Fuchs provides several well known brand products, amongst them Ostmann which was acquired in 1998 and is now the number one in Germany with a market share of above 30%. The Ostmann GmbH was founded in 1902 by Karl Ostmann. It was the first company to provide industrially processed and filled spices, herbs and seasoning mixes in consumer packs for the food retail trade. Weiand and Ubena can be added to the list and were taken over by Fuchs in 1981 and 2000, respectively. With a market share of 75%, Fuchs is market leader in the German food retail trade.


Fuchs

The group has 14 locations worldwide and employs more than 3,000 people, amongst others in Brazil, France, Romania, China and Vietnam. The market in North America is served by the subsidiary Fuchs North America. The Finnish Paulig Group participates in Fuchs Gewürze with a share of 20%.

The European market leader has three production sites in Germany that are functionally separated. The product development, central laboratory and industrial activities departments are located in Melle. In Dissen the raw materials are processed and Schönbrunn provides the filling for the food retail trade. The consumer items are distributed via the storage in Ratingen.

"Our raw materials come either directly from the cultivating country or from our own cultivation. We have our own plantations in Brazil where the spices grow on circular fields. The size of one field is up to 12 hectares", explains Uwe Diekhoff, marketing manager at Fuchs. The company is committed to controlling the quality from the sowing to the preparation as much as possible. "Our own cultivation of many spices and herbs worldwide and the direct procurement of raw materials ensure the highest product quality and traceability", emphasizes Diekhoff. The products delivered to the baking industry include raw spices, mixes, liquid and pasty products in customized, flexible units from small packs to large aseptic containers. The group does not disclose its sales figures; experts estimate the turnover in 2007/2008 to be 592m Euros.

While McCormick and Fuchs share the market in Western Europe, an Austrian company is set to capture the market in the East. Last year, the Austrian market leader, Kotányi also became the number one in Russia in the herbs and spice section with the Russian subsidiary TOP, founded in 2007, paying dividends. While the foreign trade in 2007 amounted to only 53%, it rose to 60% in 2008. The highest growth rates were generated in the Eastern markets; plus 48% in the Ukraine, plus 49% in Serbia and plus 56% in Russia. The total sales of 122m Euros in 2008 included a 20% increase. Now, the company has 500 staff members in the production department.

The company is the only one from the herbs and spices sector in the world which is amongst the top two in all 20 countries that it does business in. "The set up of our Russian location was a strategic step for us", explains General Manager, Erwin Kotányi. "Within a few years we were able to achieve the market leadership in the Moscow area. The po-

tential that the Russian market is offering is enormous. The Ukraine is similarly interesting. This is the reason why we focus on this region. With more than 142m inhabitants in the Russian Federation and about 46m people in the Ukraine, I am convinced that if we remain successful in these countries, we will grow for many years to come." The target for 2009 is high. The Austrian company aims at a sales plus of 10% and is also starting expanding into Turkey.

Even though the European trade seems to be flourishing, the spice companies are suffering from increasing energy, packaging and shipping costs. "Added to that, they have to cope with significant price increases on the procurement markets", reports Gerhard Weber of the European Spice Association. The markets in the fast growing economies, mainly India and China, buy raw materials from all over the world. This sends the prices for spices spirally.

According to the Association of the German Spice Industry, the prices for caraway almost doubled in 2008 due to crop shortages and increasing demand compared to the previous year. The price for coriander increased by more than 25% and for powdered tomatoes by 15%. "The companies must observe the market really closely. The targeted procurement is becoming high art", explains Weber. "The prices constantly deviate up and down. Attention must be paid because otherwise the filling of storage areas might become very expensive or there may even be no supply at all."

Last year, spice giant, McCormick experienced sales losses with its Dutch subsidiary, Silvo. Nevertheless, the American company will keep the brand. "Silvo is still popular in the Netherlands", reports General Manager, Alan Wilson. His company is reacting to the pressure on the European market with new marketing strategies and product innovations. At the same time, McCormick will also investigate potential savings.

The German, Fuchs Group has also experienced procurement problems. "The raw material prices on the world market sometimes drastically fluctuate in short periods of time. Long term forecasts are hardly possible. This affects our price calculation although although we still try to offer our products at a fair price for the customers", reports Uwe Diekhoff. +++