برنامج تحديث الصناعة
INDUSTRIAL MODERNISATION PROGRAMME

مركز تحديث الصناعة
Industrial Modernisation Centre

IMC
Herbs & Spices

-Global Review
-Local Assessment
-SWOT Analysis

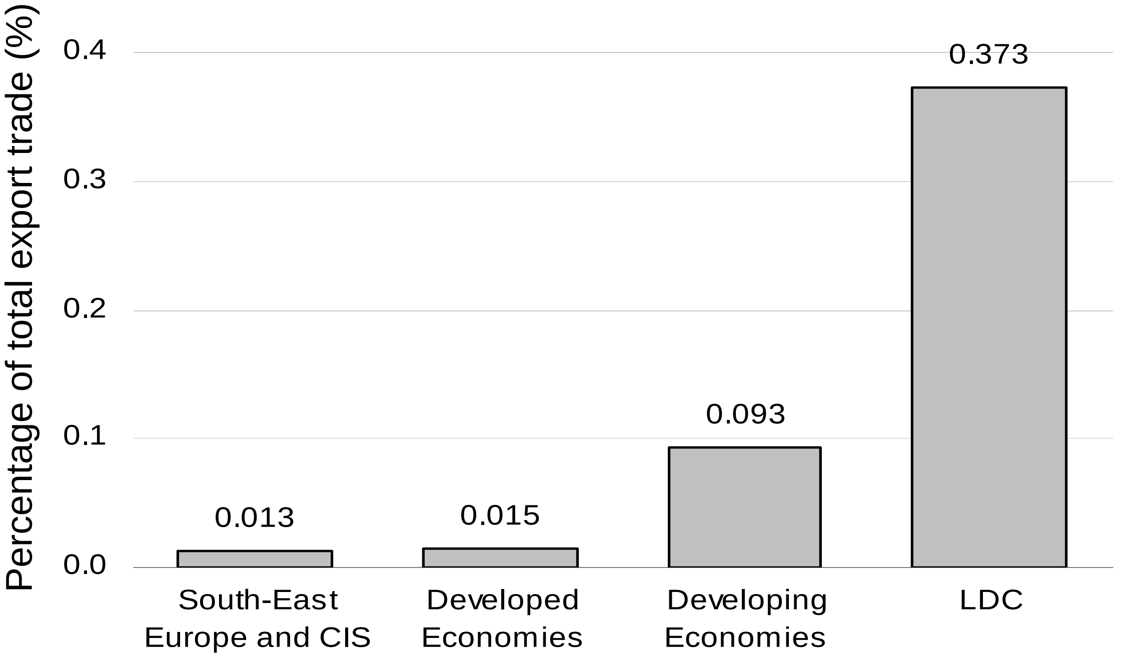
March 2006

ProGress
Business Consultants

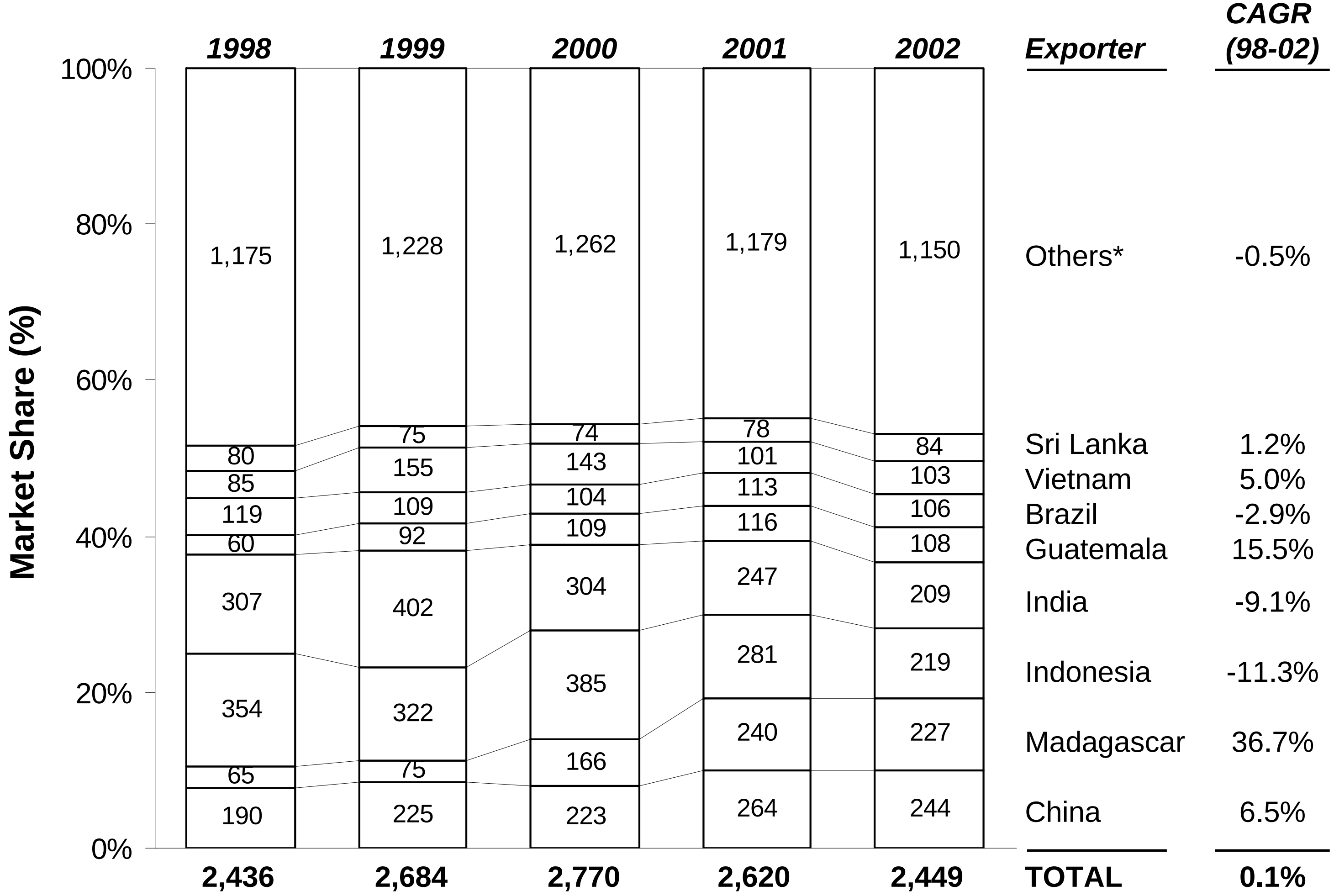
Global Review

What is the market worth?

- The global herbs and spices industry had a total value of around USD20 billion in 2002
- The global market is flat, growing at a measly 0.1% per year
- McCormick & Company is the world's largest spice company with a turnover of USD2.5 billion in 2004
- Herbs and spices industry makes a much higher contribution to the total export trade of LDCs than it does to developed countries (see chart)



Main Spice Exporting Countries by Value, USD Millions, 1998 - 2002



The global spice market is stagnant with a mere 0.1% annual growth.
China, Indonesia, India are the established major spice exporting countries

Source: UNCTAD, 2004; Current Study Analysis

* Others includes all other spice exporting countries in the world, each of which had smaller exports than Sri Lanka in 2002 according to UNCTAD data

Top 3 Spice Exporting Nations by Spice, USD M, 2002, …

Capsicum			Pepper (whole)			Spices (mixtures)			Vanilla		
Country	*Exports (USD M)*	*Market share*	*Country*	*Exports (USD M)*	*Market share*	*Country*	*Exports (USD M)*	*Market share*	*Country*	*Exports (USD M)*	*Market share*
China	109.3	24%	Indonesia	92.3	23%	India	43.6	14%	Madagascar	196.9	64%
India	57.4	13%	Vietnam	88.5	22%	Germany	28.8	9%	Indonesia	32.6	11%
Spain	40.3	9%	Brazil	53.1	13%	France	16.5	5%	Comoros	16.1	5%
ROW	244.9	54%	ROW	169.2	42%	ROW	224.8	72%	ROW	62.4	20%
Total	**451.9**	**100%**	**Total**	**403.1**	**100%**	**Total**	**313.8**	**100%**	**Total**	**308.1**	**100%**

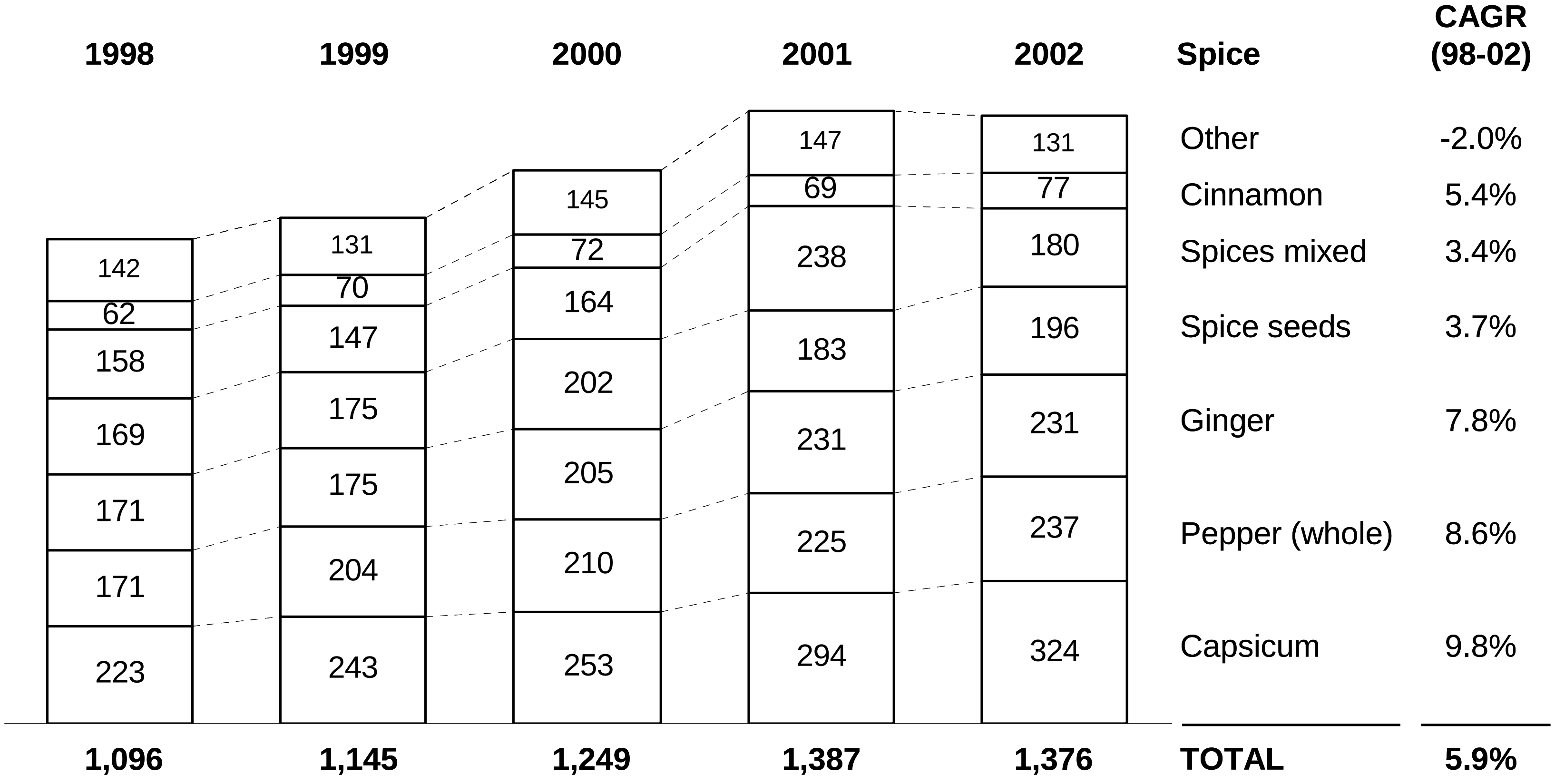
Nutmeg / mace / cardamom			Spice seeds			Ginger (except preserved)			Cloves (whole / stem)		
Country	*Exports (USD M)*	*Market share*	*Country*	*Exports (USD M)*	*Market share*	*Country*	*Exports (USD M)*	*Market share*	*Country*	*Exports (USD M)*	*Market share*
Guatemala	104.2	45%	Syria	43.1	21%	China	77.0	54%	Madagascar	27.1	22%
Indonesia	42.3	18%	India	34.3	17%	Thailand	23.8	17%	Brazil	25.6	21%
India	17.9	8%	Turkey	26.2	13%	Taiwan	6.7	5%	Indonesia	16.4	13%
ROW	65.2	28%	ROW	97.3	48%	ROW	34.0	24%	ROW	53.5	44%
Total	**229.5**	**100%**	**Total**	**200.9**	**100%**	**Total**	**141.5**	**100%**	**Total**	**122.6**	**100%**

Cinnamon (whole)			Thyme / saffron / bayleaves			Pepper (crushed / ground)			Cinnamon (crushed / ground)		
Country	*Exports (USD M)*	*Market share*	*Country*	*Exports (USD M)*	*Market share*	*Country*	*Exports (USD M)*	*Market share*	*Country*	*Exports (USD M)*	*Market share*
Sri Lanka	46.2	44%	Iran	24.1	30%	India	10.3	14%	Indonesia	5.5	27%
China	24.5	24%	Spain	20.1	25%	Germany	8.2	11%	Brazil	3.6	18%
Indonesia	18.1	17%	Turkey	8.7	11%	Indonesia	7.6	10%	China	2.5	12%
ROW	15.2	15%	ROW	26.6	33%	ROW	47.8	65%	ROW	8.7	43%
Total	**104.1**	**100%**	**Total**	**79.5**	**100%**	**Total**	**73.9**	**100%**	**Total**	**20.3**	**100%**

Observations: i) No single market is dominant across the board; ii) Climate and geography play a role; iii) Market fragmentation varies across spices

Source: International Trade Forum, 2004; Current Study Analysis
ROW = Rest of World

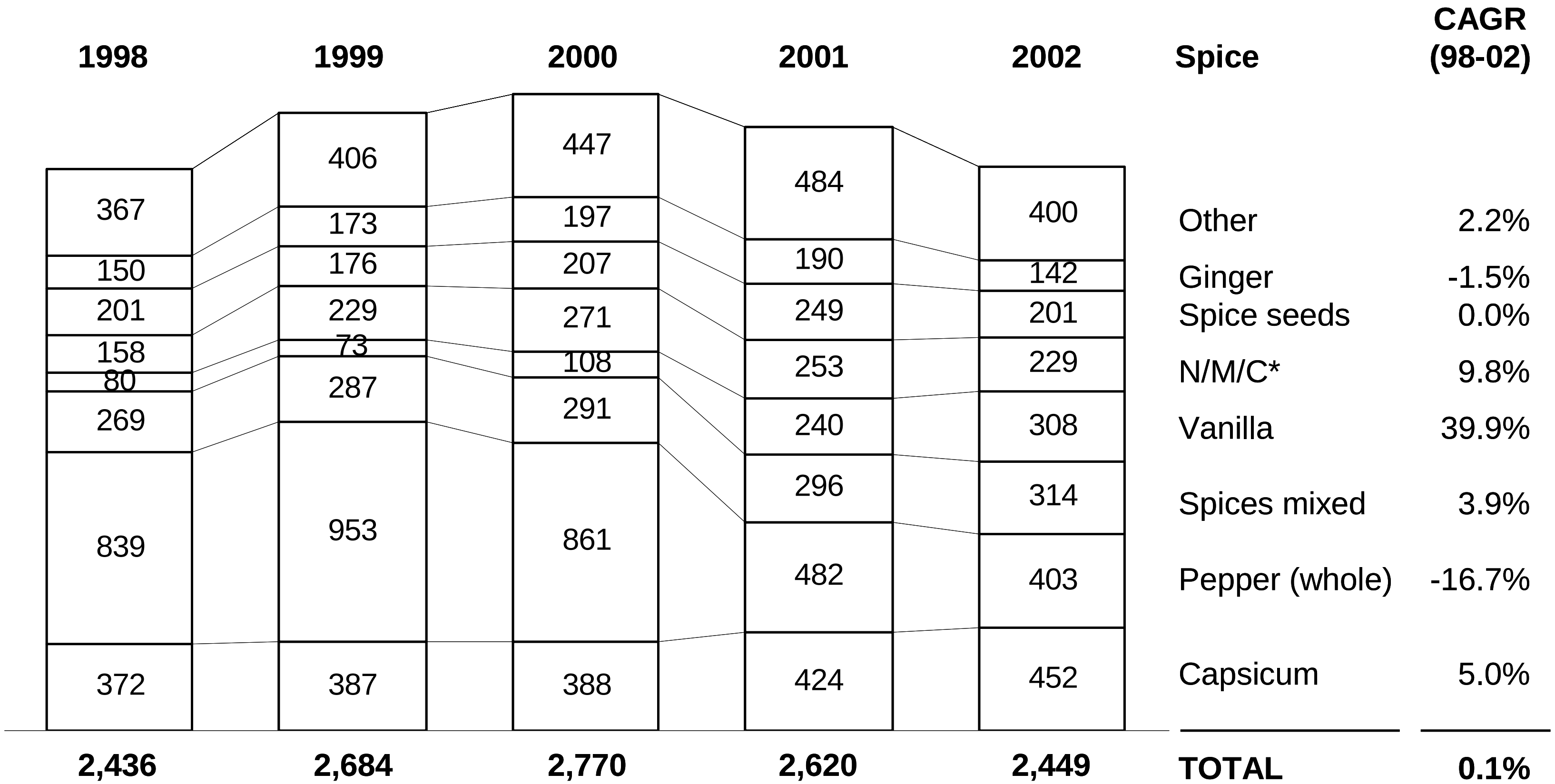
Global Volume of Spice Exports by Spice, Thousand Tons, 1998-2002



Whilst the global volume of spice exports is steadily growing at around 6% per year…

Source: UNCTAD, 2004; Current Study Analysis
Other represents the total of other spices according to UNCTAD, 2004

Global Value of Spice Exports by Spice, USD Millions, 1998-2002

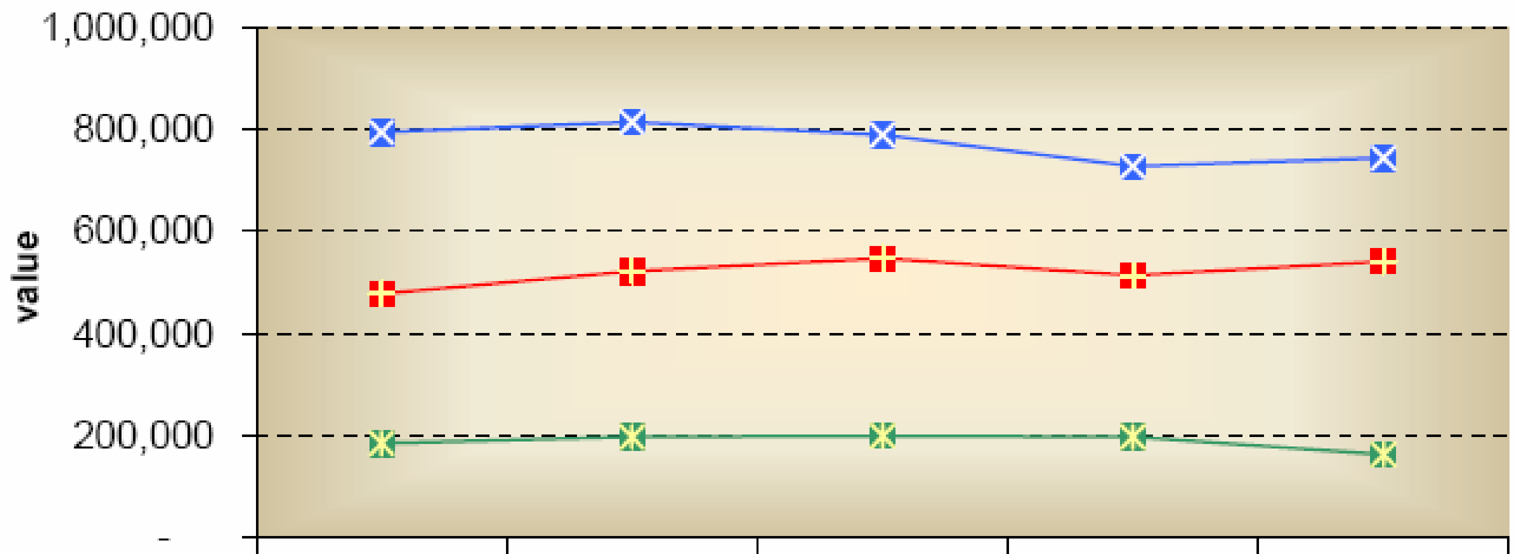


*Nutmeg/mace/cardamom

…due to relentless competition prices are falling to such an extent that the global value of these exports is flat

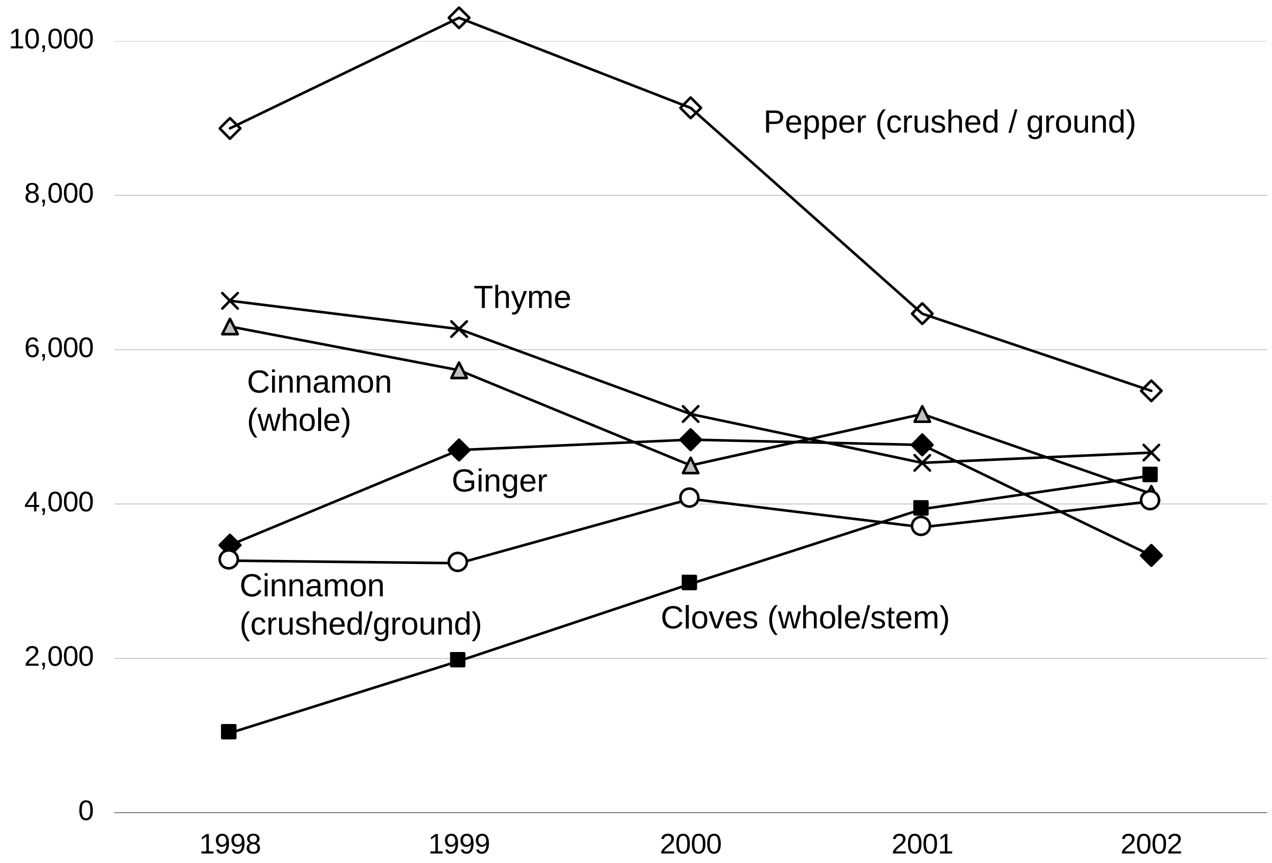
Source: UNCTAD, 2004; Current Study Analysis
Other represents the total of other spices according to UNCTAD, 2004

Fig.5: Import trends of major spice importing countries/areas, 1998-2002 (in '000 US$)



	1998	1999	2000	2001	2002
EU-15	794,798	814,752	789,310	727,947	744,111
USA	478,455	522,739	548,116	514,613	541,365
Japan	185,691	198,307	200,060	198,259	163,784

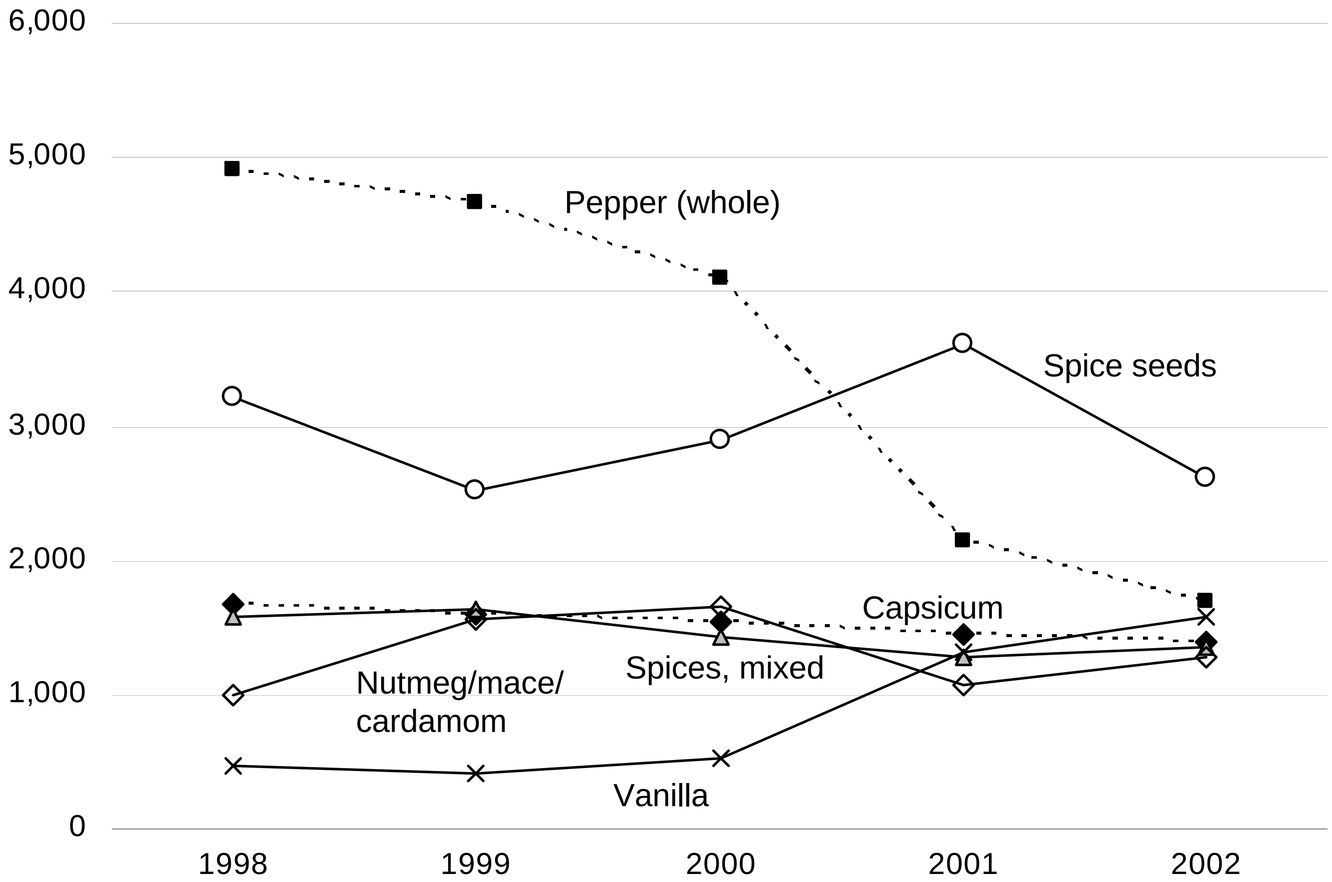
Price changes by herb / spice, 1998 – 2002, USD per tonne



Prices of different herbs and spices fluctuates dramatically from year to year in part due to farmers' choosing the following year's crop mix in response to the previous year's prices*…

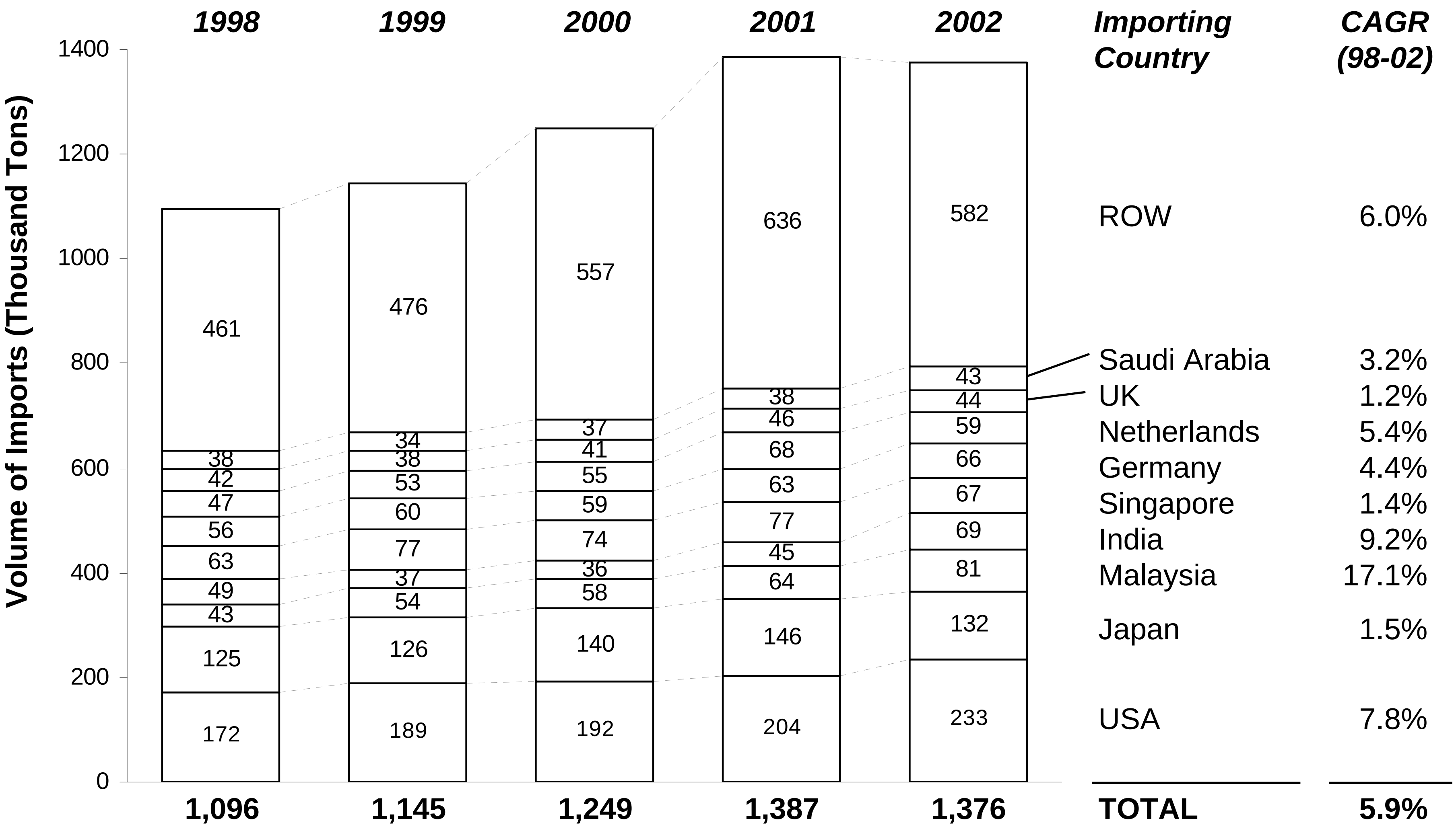
*This is where one year's high global prices for a particular crop encourage more planting by farmers, which lowers the following year's prices and vice a versa

Price changes by herb / spice, 1998 – 2002, USD per tonne (cont.)



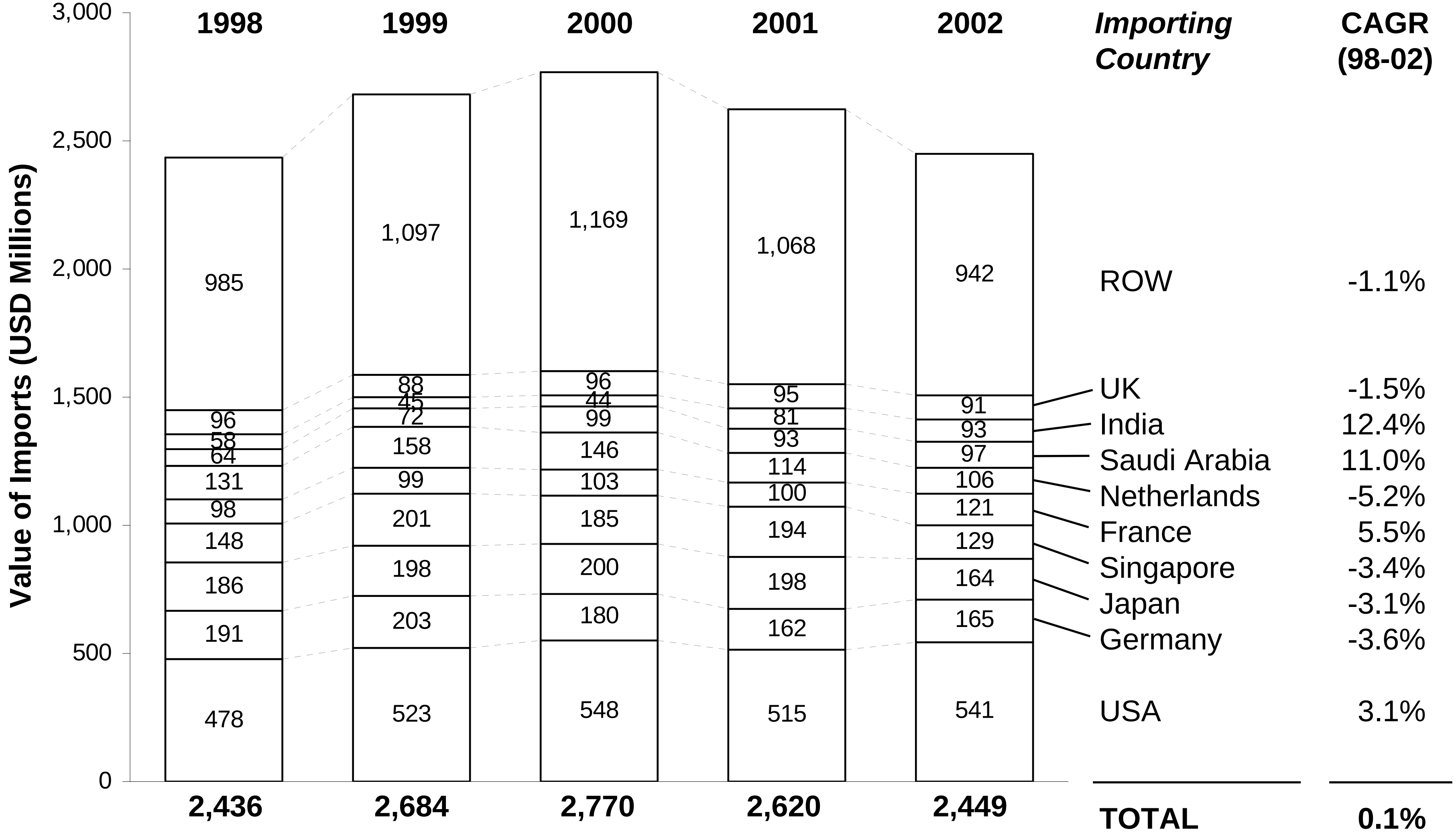
… and again for more herbs and spices

Import trends by spice-importing country, Thousand Tons, 1998-2002



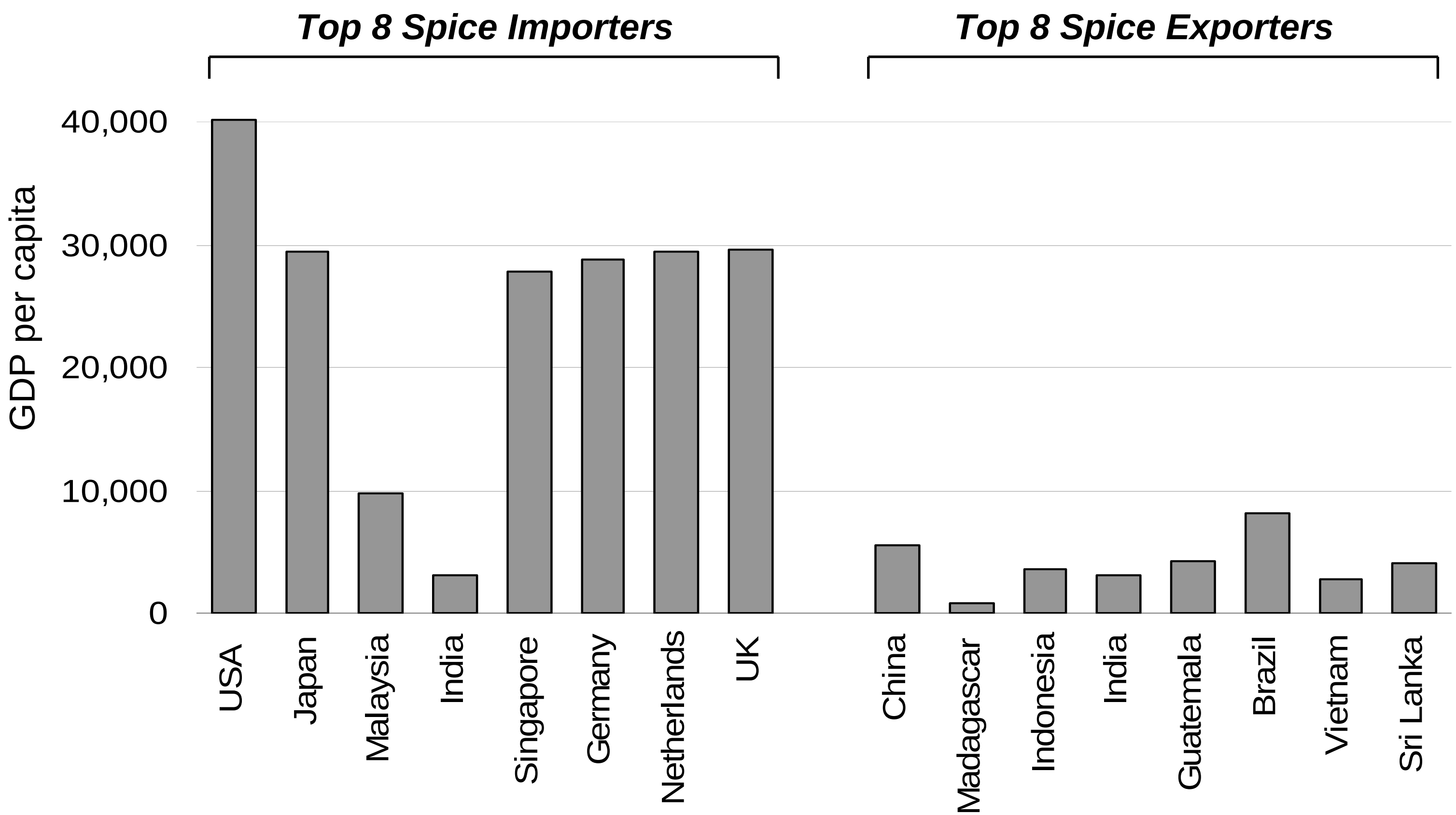
Here we can see the major spice importers, and thus the key markets to target when selling…

Import trends by spice-importing country, USD M, 1998-2002



…again we see the impact of falling prices

Major Importers vs. Major Exporters



Source: UNCTAD; CIA World Factbook; Current Study Analysis

LOCAL ASSESSMENT

Local Assessment: Conclusion

The herbs and spices industry is not a large industry globally compared to non-agricultural manufacturing and service sectors but it does present specific opportunities. Egypt has a large rural unemployed population and the country benefits from a climate strongly suited to the production of herbs and spices.

Egypt needs to establish strong agricultural co-operatives

- A necessary initiative to decentralize and become self sustaining. Agricultural co-operatives have proven themselves useful and successful in many European and Australian markets. Egypt's Herbs and Spices Industry has major barriers to materialize on apparent opportunities and will need strong co-operatives to overcome them.

Consolidation to benefit from Economies of Scale

- Market is fragmented causing price wars in contrast with global trends.

Brand Egypt's Herbs and Spices

- An integrated effort is necessary to build Egypt's unique and exotic high quality organic product position and hence improve global perception of Egypt supply quality.

Local Assessment: Conclusion.. /cont.

R&D

- Structure to meet growing international quality standards requirements.
- Develop improve products to meet changing global demands.
- A knowledge base and source of essential real-time data including weather and crop prices would help farmers with their critical production decisions.
- Research increasing Egypt's value add (e.g. drying, packaging & distribution)

Government / Regulations

- Improved property ownership rules and regulation. These would provide stakeholders with the security and support needed to focus on value-added production
- Modernize "new seeds" imports and approval process.

CONCLUSION:

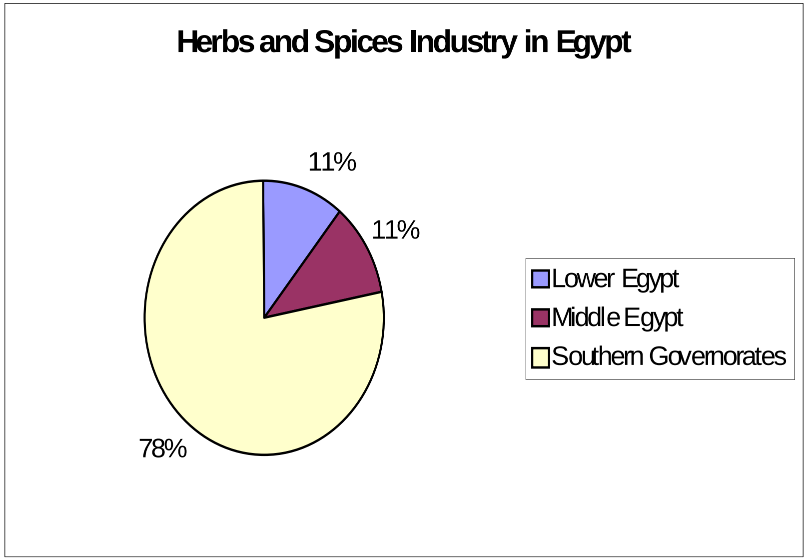
EGYPT NEEDS A FULL SCALE SECTOR STUDY ON

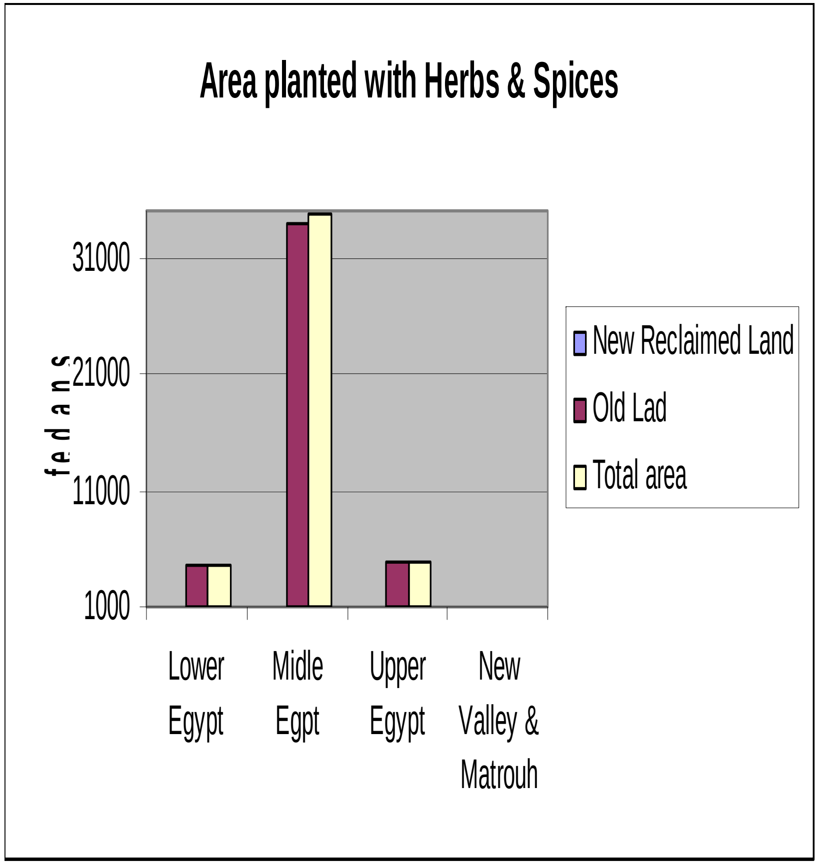
HERBS & SPICES

Local Assessment: Sector Study Objectives

1. Identify the true opportunity for Egypt and quantify it, including a focus on job creation.
2. Identify a mandate and framework for agricultural cooperatives after having benchmarked successful experiences in Europe and Australia.
3. Study market segmentation in depth and identify consolidation framework and mechanism.
4. Research and identify Egypt Herbs and Spices “product” position and develop a promotion plan to market the concept.
5. Develop an R&D framework and execution including necessary labs and research centers after having conducted a benchmark study with successful experiences within other countries.
6. Review current government regulations to increase government efficiencies to ensure speed to market with new initiatives, and regulate production quality.

Local Assessment: Analysis: Egypt Market





>Total annual production is estimated to be 176 thousand tons – US$240 million versus US$20 billion global

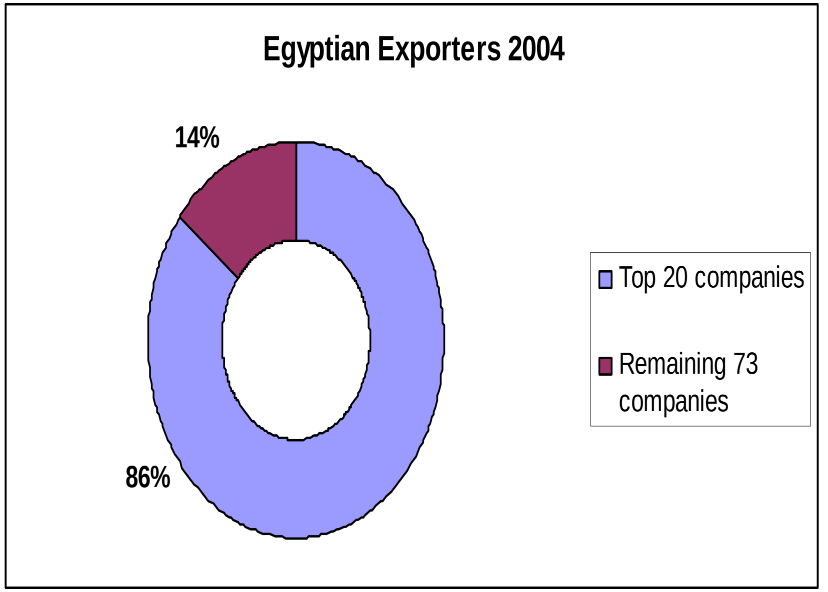
> Almost 80% of Egypt production are from Giza, Fayoum Beniseuf and Menia

> Almost no herbs and spices are grown on new reclaimed land.

Source: AEC, table 29 Area, yield and production of aromatic & medical plants, 2003

Local Assessment: Analysis: Exports Size

- In 2001, Egypt exported 22.8 thousand tons (around $40 million)
- In 2004, Egypt exported 33.7 thousand tons (around $59 million)
- The top ten companies (25%) were responsible for 80% of the total exports
- The remaining 75% were responsible for only 20% of exports



Egypt exports are growing, but no where near the big players

Source: AEC, table 29 Area, yield and production of aromatic & medical plants, 2003

Local Assessment: Analysis: Market Structure

- There is no accurate number of local producers

- Farmers:
  - Fragmented ownership – 20 faddans max.
  - Squeezed; High rent / Selling prices
  - Not implementing GAPs
  - Educated farmers – have access to foreign importers and drive the industry

- Traders/Suppliers
  - Over 300, few are considered credible
  - Collect crops, grade crops, sell to exporters and/or export

- Factory owners/exporters
  - Responsible for the bulk of exports
  - Add limited to reasonable value
  - Need R&D support

`Egypt's Major Herbs and Spices;

- Chamomile	- Fennel	- Anis
- Peppermint	- Spearmint	- Coriander
- Caraway	- Sage	- Marjoram
- Basil	- Parsley	- Carcadeh
- Cumin	- Dehydrated Fruits and Vegetables (mainly onion)	

With increasing global health awareness, this range of products enjoys a great potential worldwide

Local Assessment: Survey Focus Crops

- Coriander
- Marjoram
- Chamomile
- Basil
- Fennel
- Peppermint / spearmint
- Dehydrated Onions

Local Assessment: Survey Focus Crops: Coriander

EDGE	➢World renowned for superior quality; light color and exclusive flavor ➢Climate ideal for growing and drying ➢Used heavily in white sausage in Europe
PRICE	➢Sold at a premium between US$750 – 1000 per ton vs. US$400 – 700 when sourced from other countries ➢To sustain this advantage, quality must remain consistently superior
PRODUCTION	➢Egypt produces roughly 8,000 tons ➢Around 7,000 tons of which are exported ➢50% of exports are to Germany and Scandinavia / 40% to Arab countries / 10% Japan and the rest of the world
COMPETITION	➢Not labor intensive product. Australia & Canada new comers to the market with large plots of land for export purposes. Australia targeting Asian markets and Canada targeting USA. ➢Morocco relatively new, deliberately keeping price below Egypt to capture it's market share.
FUTURE	For Egypt to remain competitive it should, ➢Maintain it's premium quality of seeds, ➢Egypt should focus on cilantro where Egypt's edge is in the labor factor is highly needed

Local Assessment: Survey Focus Crops: Marjoram

EDGE	➢Minimal competition and international standards are actually developed on Egyptian Marjoram. ➢Originally East European and adapted to Egypt environment thus becoming one of Egypt’s key spices for export.
PRICE	➢Average US$1,200 – 2,000 per ton for Egyptian Marjoram ➢East European Marjoram sells for Euro6,000 per ton ➢Potential to increase prices if it was not for the on-going price wars
PRODUCTION	➢Egypt produces 2,000 tons, all are exported ➢Marjoram processing is not environmentally friendly
COMPETITION	➢Egypt Marjoram is market leader with almost no competition
FUTURE	➢Regulations to govern the export market ➢Avoid mixing of plant various origins within the same field

Local Assessment: Survey Focus Crops: Chamomile

EDGE	➢Historically Egypt was recognized for efficient hand picking. Now, flower hand picking is a dying competency.
PRICE	➢Cheapest in the market. ➢Whole Flower sold for US$4.0 per Kg ➢Argentina tea bag cut sold for US$4.0 per Kg where the Egyptian equivalent is sold for US$1.0 per Kg
PRODUCTION	➢Egypt exports 6,000 tons a year ➢Local consumption 500 tons a year ➢Egypt's yield is high when using hand picking only
COMPETITION	➢Estimated market share 60% ➢Next to Egypt are Argentina and East Europe (20% each) ➢Main importers of Egypt's production are Germany (30%)
FUTURE	➢World demand is increasing due to increasing health awareness ➢Demand for hand picked is reducing. Egypt needs to introduce mechanical harvesting to become cost competitive

Local Assessment: Survey Focus Crops: Basil

EDGE	➢World market dominated by Egyptian Basil ➢Summer plant with massive manual labor requirements ➢Both local (rich in flavor) and French (rich in oil) Basil are farmed in Egypt and sold at the same price
PRICE	➢Egyptian Basil is sold for a competitive US$1.0 per kilo versus the American equivalent is sold for US$6.0 per Kilo
PRODUCTION	➢Production reached 7,000 tons mostly for exports
COMPETITION	➢Hardly any competition. Other countries grow the plant for mainly domestic consumption
FUTURE	➢Brand and grow Egypt Basil

Local Assessment: Survey Focus Crops: Fennel

EDGE	➢None, although Egyptians have excelled in fennel seed cleaning
PRICE	➢Sold at US$1,000 – 1,300, 15% lower than Indian Fennel
PRODUCTION	➢Egypt production reached 8000 tons mostly for exports ➢USA imports 4000 tons of Egyptian Fennel per year
COMPETITION	➢Egypt’s biggest competitor is India. Egypt’s share is 65%, India 35% ➢Germany banned the use of Egyptian fennel in medicine and allowed Indian fennel. It is feared many more countries will follow suit
FUTURE	➢Indian fennel is a better kind. Egypt needs to succeed in importing and farming Indian seeds, a process hindered by tedious approval procedures

Local Assessment: Survey Focus Crops: Peppermint / Spearmint

EDGE	➢Climate allows for the plant to grow all year round. Similar in appearance, differs in application ➢China is the world's biggest producer of menthol and supplies most of the world's industries ➢Egypt for the first year has successfully exported pesticide free peppermint
PRICE	➢Peppermint 50-60% higher than spearmint ➢Whole leaves are sold at US$1,500 for pesticide free ➢Pesticide free crushed leaves sell for US$1,700 ➢Crushed Leaves with pesticide are sold for US$1,300
PRODUCTION	➢Egypt exports are 1000 ton of both peppermint and spearmint (75%)
COMPETITION	➢Egypt is one of the largest exporters of spearmint
FUTURE	➢Regulations to govern the export market ➢Avoid mixing of plant types within the same field

Local Assessment: Survey Focus Crops: Dehydrated Onions

EDGE	➢Egyptian onions are known for their unique strong aroma ➢Demand on dehydrated strong aroma onions is high world wide ➢Egypt grow two crops a year (mid Dec. & mid Apr.), the USA (biggest producer) harvests once a year ➢Egypt dehydration plants operate 280 days versus the USA 100 days
PRICE	➢Egypt reduced prices from US$2,200/ton in 1990 to US$1,550/ton in 2005 as a result of devaluation and increase in production capacities ➢American equivalent are sold at US$2,200 and the French at US$1,900
PRODUCTION	➢Egypt produces 1,000,000 tons per year. Local consumption is 500,000 and the remaining is exported ➢Half of exported volume is dehydrated and the remaining half is exported fresh
COMPETITION	➢In the 70s Egypt, the USA and Hungary were the three major players. In the 80s India entered the market grabbing share from Egypt. India continues to be Egypt’s main competitor even though Egypt was able to capture Hungary's share back in the 90s.
FUTURE	➢World demand is on the rise causing a supply to demand gap of 20,000 tons placing Egypt in a good position. This amount may be easily added to Egypt share by proper planning. ➢Another opportunity exists with the QUIZ agreement.

Local Assessment: Analysis: Current Concerns: Plant Contamination

- Micro-Biological

> Due to bad hygiene practices and bad agricultural practices

> Long Term solution includes

(1) Awareness and education – Sekem Model

(2) Enforcing GAP

> Immediate solution includes Sterilization

(1) Establish a non-atomic sterilization plant in Egypt

(2) Use Gamma Rays (only accepted in the USA)

- Pesticides

> Due to bad agricultural practices and the use of banned pesticides

> Short Term Solution includes

(1) Enforce pesticides ban

- Drying

> Essential for exports, however practices used do not meet international standards e.g. flatting out on the asphalt road or on roof.

> Short Term solution

(1) Develop a hygiene drying method that utilizes “weather” to keep cost at minimum

Local Assessment: Analysis: Current Concerns: Prices

- Margins are constantly Squeezed

> Regulations are increasing for export. Exporters are now incurring additional costs to meet those regulations.

> Regulations are mainly around contamination (our biggest problem and could lead to losing the market).

> Other regulations like “traceability” is another serious threat.

> Price war among local producers must stop.

Local Assessment: Analysis: Current Concerns: Regulations

- Lack of New Products
> Prohibitive Seed Import Restrictions

- Lack of Quality Standardization
> No effective enforcement of existing regulations
> Existing regulations are insufficient
> Corruption

- Ministry of Agriculture Laboratory Facilities
> The only lab
> Not accredited

- Governing Bodies
> Agriculture Export Council		> Chamber of Food Industries
> General Union for Producers and Exporters of Agricultural Products
> Export Development Fund (maybe the only true value adding)
> ESHIDA (another value adding NGO)	> Do we need more?

Local Assessment: Analysis: Current Concerns: Fragmentation

- Fragmented Land Ownership

- Lack of Agricultural Cooperatives

- Economies of Scale

- Regional Product Development and Technology utilization problems

Local Assessment: Analysis: Current Concerns: Marketing

One of the key parts of any business and especially export business yet one of the most neglected

It can be argued that marketing internationally is rather a big expense and difficult for small business to support. This is a fair comment; however, there are ways around it such as group marketing efforts. The biggest problem however is the negative marketing that happens

- Lack of Data Base

A knowledge base and source of essential real-time data including weather and crop prices would help farmers with their critical production decisions

- Competition from Abroad

China and India, the emerging giants. Regional Branding and Product Positioning are key to standing up to them.

Local Assessment: Analysis: Organic Farming in Egypt

Organic products became very popular and world demand is continuously on the rise. It is worth mentioning that it was organic farming that opened people's eyes in Egypt to the harm excessive use of pesticides. Organic farming has proven to develop conventional farming world wide.

Europe's agriculture import related regulations are now as almost tight as organic farming requirements while organic products are sold at a clear premium. This is a true opportunity for Egypt.

Concerns Facing Organic Farming in Egypt:

- Cross Contamination
- Irrigation System
- Soil Contamination
- Lack of qualified labs to detect low pesticide levels
- Lack of access to new pest control systems
- Organic Seeds Availability

ORGANIC FARMING IS THE FUTURE AND SHOULD BE DEVELOPED FOR EGYPT

TO REALIZE HER FULL POTENTIAL

Local Assessment; Process

Defined and involved a steering committee

Defined the product groups to be included

Developed a target interview list that covered all the product groups and also looked at the suppliers, buyers, and other participants in the value chain

Designed a questionnaire that was compatible with the framework of the methodology but gives enough flexibility to uncover the more subtle issues.

The advantages of this approach were:

Built on consistent, international classifications

Recognized particular characteristics of the Egyptian market

Allowed for comparison with industry reports and conduct a meaningful SWOT analysis.

Local Assessment: Steering Committee

• Ahmed Rashad: Sekam	Agriculture Manager	> Organic herbs
• Amr Fares: Green Land Industries	Managing Director	> Dried onions > Eshida
• Sherifa Rashad: A. Fakhry & Co	Vice President	> Essential Oils > Organic Council
• Hosam Shalaby: Arcotrade	Managing Director	> Herbs & spices > Eshida

- Dr. Ibrahim Shalaby: Ministry of Agriculture

Local Assessment: Interviews

NAME	COMPANY	ASSOCIATION	SECTOR
Ahmed Rashad	Sekam		Organic herbs
Amr Fares	Green Land	Eshida	Dried onions
Sherifa Rashad	A. Fakhry & Co	Organic council Eshida	Essential Oils
Hosam Shalaby	Arcotrade	Eshida	Herbs & spices
Ibrahime Shalaby	Ministry of Agriculture		
Sherif Rashed	Agriculture export		
Hassan Alam	Tawabel Abu Ali		Herbs & spices
Sherife Shindidi	Shindidi Trading		Herbs & spice
Ahmed Abdel Raouf	FAO		Agricultural Expert
Mohamed Salem	Advanced Food		Herbs & spice

SWOT Analysis

SWOT Analysis: Strengths

1. Climate
   - Egypt's climate is very well suited to the cultivation of certain spices and herbs

2. Cost of labour
   - The low cost of labour in rural Egypt is a key competitive advantage in production of herbs and spices, particularly for the more labour-intensive organic growing process

3. Geography
   - Egypt's proximity and transport connections with Europe, a key import market for herbs and spices, combines with the climatic conditions

4. Established position in certain herbs and spices
   - Established sector specific knowledge of herbs and spices production can be built upon

5. History of herbs and spices production
   - Egypt has a strong history of spice production and trading giving it a competitive advantage in terms of established trading routes and contacts

SWOT Analysis: Weaknesses

1. Compliance with international quality standards
   - Egypt lacks the necessary framework of education and skills training of international standards in food production. EU buyers require detailed information on production source, content purity, etc.

2. Lack of data and statistics
   - Farmers do not have easy access to the information they need to make decisions on pricing, planting, crop selection, training, standards, and other critical information

3. Low quality players
   - Current low standards of many producers undermine Egypt's reputation as a quality international herbs and spices exporter

4. Commodity vs. Branded Product
   - There is a lack of modern quality assurance processes, packaging, and distribution technologies at many farms

5. Fragmentation of land ownership
   - Hindering the use of economies of scale making it difficult to compete

6. Property rights
   - There are issues with farmers' land ownership rights and excessive bureaucracy

SWOT Analysis: Opportunities

1. Establishment of agricultural co-operatives
    - Agricultural co-operatives have proven themselves useful and successful in many European markets and can provide a useful structure for agricultural production information dissemination, access to capital, knowledge sharing amongst producers and other stakeholders, and as a source of standards leadership

2. Establishment of a quality mark and brand (Region Branding)
    - Establishing a quality mark with robust requirements would provide buyers with a greater level of assurance and would mean that underperforming industry participants were upgraded or weeded out

3. Improved property ownership rules and regulation
    - These would provide stakeholders with the security and support needed to focus on value-added production

4. Establishment of a reliable and up-to-date industry knowledge base
    - A knowledge base and source of essential real-time data including weather and crop prices would help farmers with their critical production decisions

5. Product specialization and differentiation
    - Focusing on higher added-value areas such as organics, and moving up the value chain to include quality assurance and packaging and branding would increase profitability, exports and create jobs

SWOT Analysis: Threats

1. International competitors are on the march
   - Competitor countries such as India and China are developing improved production processes and quality standards; developed countries are investing in ever more sophisticated automated production from picking through to packaging and distribution

2. International competitor governments are modernising
   - International quality standards and regulatory requirements are constantly being upgraded

3. Herbs and spices are agricultural products suffering long-term price pressure and low margins
   - Looking at the history of herbs and spices prices shows that it is a sector in which there is relentless price pressure and little hope of easy profits

4. World price volatility
   - Global price volatility makes annual crop decisions a risky occupation

SWOT Analysis: Some questions:

- *If we were to grow the herbs & spices industry, who would work in it? Would these employees otherwise be employable in a higher added value job or unemployed?*
- *If we were to develop our herbs and spices industry, could we realistically achieve a No. 1 position in one of the major products?*
- *If we were to participate more aggressively in this industry, how could we up-grade the quality standards to first rate international levels?*
- *How could we move from the lowest position of selling raw herbs and spices up the value chain to include packaging, health and safety, GAP, GMP and branding?*
- *If we participate in this industry, what are the higher value growth niches we can focus on, e.g. organic, fair trade, herbal medicines, etc?*
- *Can "Herbs and Spices" be grown on new reclaimed land?*

Thank You

Industrial Modernization Centre

SWOT ANALYSIS

HERBS AND SPICES SECTOR

GENERAL NOTES

Project No:	IMC / PS - 105
Title:	A preliminary study to the preparation of a detailed sectoral development strategy on Herbs and Spices
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Introduction to the SWOT Analysis

This analysis of the strengths, weaknesses, opportunities and threats (SWOT) builds on input data from the local survey and analysis, global review.

1. Strengths

1.1. Climate

Egypt is located in a climate well suited to herb and spice production. Benefits from the river Nile.

1.2. Cost of labour

Egypt benefits from a plentiful supply of cheap labour which is necessary for herb and spice production. This strength is further enhanced when considering organic production which is typically more labour intensive.

1.3. Geography

Proximity to key European markets together with Middle Eastern and African nations.

1.4. Established position in certain herbs and spices

Egypt has an established strength in particular herbs and spices due to its unique climatic conditions (e.g. dry desert air combined with fresh water Nile), which has resulted in, for example, Egyptian coriander being highly rated.

1.5. History of herbs and spices production

Being an established producer of herbs and spices means that Egypt can build on existing trading routes and supply chain relationships. A wide variety of herbs and spices are already produced in Egypt, including: coriander, marjoram, chamomile, basil, fennel, peppermint/spearmint together with dried onions

2. Weaknesses

2.1. Compliance with international quality standards

Egypt has failed to adopt and enforce international quality standards for growing, production, drying, packaging, sterilisation, labelling and distribution of herbs and spices. This damages Egypt's competitiveness on a number of fronts such as reputation, brand, pricing, and overall attractiveness to buyers. Cross-contamination has been reported where ostensibly organic farms are being contaminated by bordering farms using pesticides and other non-organic practices.

2.2. Lack of data and statistics

Participants in the Egyptian herbs and spices industry such as producers, traders and exporters, suffer from a lack of reliable, complete, and timely data and statistics to guide them on industry trends, market prices of specific crops, information on weather and growing conditions, etc.

2.3. Low quality players

There is an issue with industry players who fail to demonstrate even the most basic understanding and adoption of quality, hygiene, and contamination avoidance measures. For example, stories of small players who dry their herbs on the roadside.

2.4. Commodity vs. Branded Product

Egyptian herbs and spices players are selling the raw product for a minimal price as they are positioning themselves on the lowest rung of the value chain. The failure to establish quality assurance, standards, sterilisation, laboratory checks, packaging, labelling and branding facilities mean that competitor nations gain most of the added value for the finished product.

2.5. Reputation management – "Made in Egypt"

The failure to adopt and enforce international standards (quality, trading, payment, timeliness, etc) has undermined the reputation of the Egyptian brand for herbs and spices.

2.6. Property rights

Issues with property rights and expansion beyond small fedans means that many Egyptian producers are unable to achieve critical mass and economies of scale. These are needed in order to establish quality standards, supplier relations, etc.

3. Opportunities

3.1. Establishment of agricultural co-operatives

Examples from many other countries demonstrate the effectiveness of farmer co-operatives in helping small agricultural producers to help themselves. This includes adoption and enforcement of international standards, capital investment (e.g. packaging, labelling, sterilisation, etc) to move up the value chain, education and distribution of market information and production / growing expertise and advice, etc. The profits are shared by the small farmers and reinvested into development.

3.2. Establishment of a quality mark and brand

Adoption of international standards (e.g. ISO) and the development of an Egyptian herbs and spices / agricultural quality mark with farmer guidance, advice and education, would enable Egyptian producers to raise their game. Quality and standard minima could be established which would result in an improved reputation and brand for Egyptian agricultural products and result in higher prices.

3.3. Improved property ownership rules and regulation

The implementation of more progressive property and land ownership rules and regulations would enable farmers to expand / consolidate their territories and thereby manage larger plots and achieve better economies of scale and be more internationally competitive.

3.4. Establishment of a reliable and up-to-date industry knowledge base

The establishment, by industry bodies, of a reliable and up-to-date industry database covering key areas such as weather and growing conditions, live market prices (easily accessible on the internet / by text message) export advice, quality standards guidance, best practice, and the like would facilitate more effective decision making by industry players (growers, traders, exporters, etc.)

3.5. Product specialisation and differentiation

Egyptian herbs and spices producers need to focus on the most promising products with margins and adopt the international quality standards and growing practices (e.g. organic) that deliver higher returns.

4. Threats

4.1. International competitors are on the march

International competitors with major positions in key herbs and spices are relentlessly raising their competitiveness in terms of quality levels, standards, productivity, productivity, packaging, labelling, supply chain, etc. Key competitor nations include China, India, Madagascar, Indonesia, etc.

4.2. International competitor governments are modernising

Competitor governments are adopting more modern regulations, processes and import/export procedures. The reduction in administrative red tape and promotion of quality standards enables businesses to focus on core activities and raising productivity rather than excessive administration.

4.3. Herbs and spices are agricultural products suffering long-term price pressure and low margins

There will be relentless, and strong international competition from other developing countries and LDCs in the field of herbs and spices production. To stay as a low-cost producer of undifferentiated raw agricultural products will not help Egypt to grow its economy. Only by product development, differentiation and specialisation can it be sensible to promote this industry.

4.4. World price volatility

International market prices for herbs and spices fluctuate dramatically throughout the year and across years as a result of many supply and demand factors, including climate events, competitor activity, pests, customer demand, etc.