



PRESS RELEASE

## Shortage of raw materials and Corona consequences affect spice industry

(Bonn, 22 September 2021) The significant increases in raw material prices as well as additional costs for energy, packaging and logistics are placing a heavy burden on members of the German spice industry. "Supply bottlenecks, increased demand in the countries of origin and additionally problematic weather conditions in Southern and Eastern Europe are aggravating the harvests for 2021 and causing distress for the spice industry," says Dr Markus Weck, Secretary General of the German Spice Industry Association, describing the situation of its members.

Raw materials are currently in short supply in many areas of the manufacturing industry – the German spice industry is also being affected. The reasons for this development are numerous and partly a direct consequence of the worldwide Corona pandemic: a lack of harvest workers in the countries of origin, an overall slowdown in production and port closures due to lockdowns worldwide are causing crop failures and shortages. Extreme weather conditions such as heavy rain in Southern Europe or enormous drought and forest fires in Eastern Europe exacerbate these failures.

The spice industry is particularly dependent on imports: Distortions in freight and logistics have a direct impact on the spice trade. The consequences, such as the lack of availability of shipping containers, are omnipresent and lead to drastic cost increases. To give an example: The pure freight costs for a container from China are around 900 percent higher than the freight costs as they were before the pandemic. This has an immediate impact on the import of classic spices such as pepper, paprika, ginger, nutmeg, cinnamon, onions, cumin and turmeric. "Our members do not expect the situation in the freight sector to ease until the second half of 2022 at the earliest. Until then, the situation will remain extremely tense both for classic spices and for the purchase of many other products such as mustard seed or Mediterranean herbs," reports Weck.

In this difficult initial situation, companies in the spice processing industry are additionally burdened by other factors. One such factor is the development of energy costs, especially in the form of the CO2 pricing. Since January 2021, the price per ton of carbon dioxide has been 25 Euros - and this is set to double by 2025. The situation is similar for the costs of packaging materials. Plastics, composites and cardboard packaging in particular cost significantly more than in previous years;

surcharges of 30 to 40 percent are not uncommon. For packaging materials such as steel and sheet metal, the costs have even almost doubled in many places.

Wolfgang Schulze, Chairman of the German spice association, summarizes the situation as follows: "We are of course delighted about the steadily growing popularity of spices among consumers. The spice industry is doing its utmost to meet the demand from trade and processing industry while guaranteeing optimum quality. However, the current difficulties make us realise more than ever that quality also has its price."

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The **Fachverband der Gewürzindustrie e.V.** (German Association of the Spice Industry) currently unites more than 90 member companies with knowledge and competence in all aspects of spice processing. The companies import spices from countries all over the world and produce spice mixtures, spice preparations and other seasoning ingredients. In 2019, the industry generated a total turnover of over 1.2 billion Euros.

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