

Market Analysis

Spices and Condiments [HS 0904; 0906; 0907; 0908] to the Russian Federation

October /2018

The Products



The Spices are the most prominent and significant export products throughout the history of Sri Lanka. The spices and concentrates sector plays a major role in rural development. Further, now most of the exporters are finding ways and means to innovate new value added products out of Sri Lankan spices which creates a higher value in the global market.

Pepper, Cinnamon (Ceylon), Cloves, Cloves, Nutmeg, Mace, and Cardamom are the major products that can be exported into the international market from Sri Lanka.

The main producers/manufacturers of spices in Sri Lanka are mainly villagers. By expanding the international market for the ceylon spices will increase the income level of the rural families as well as lessen the poverty level of the rural area of Sri Lanka.

The Russian market is not consuming higher amount of spices for their food preparations, but when considering the country population, it has a considerable market opportunity for the spices especially in the HoReCa (Hotel, Restarurant and Café) segment.

Total national production: (2017)	Pepper: 29,546 mt Dried Chilies: 13,000 mt Cinnamon: 22,341 mt Cloves: 6,428 mt Nutmeg & Mace: 3,009 mt Cardamom: 113 mt
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Total national exports of Sri Lanka:	US\$ 355 million (2017)
HS Code:	0904; 0906; 0907; 0908
National tariff line:	0904.11.11, 0904.11.19, 0904.11.20, 0904.11.30, 0904.11.90, 0904.12.10, 0904.12.20, 0904.21.10, 0904.21.90, 0904.22.10, 0904.22.90

	0906.11.11, 0906.11.12, 0906.11.13, 0906.11.14, 0906.11.15, 0906.11.19, 0906.11.91, 0906.11.92, 0906.11.93, 0906.11.94, 0906.11.95, 0906.11.99, 0906.19, 0906.20.10, 0906.20.20, 0906.20.90 0907.10.11, 0907.10.12, 0907.10.13, 0907.10.91, 0907.10.92, 0907.10.93, 0907.20 0908.11.11, 0908.11.19, 0908.11.91, 0908.11.99, 0908.12.10, 0908.12.90, 0908.21, 0908.22, 0908.31, 0908.32
Total imports of the Russian Federation	US \$ 61 million (2017)
Tariff line in the Russian Federation:	0904 11 0000, 0904 12 0000, 0904 20 1000, 0904 20 3000, 0904 20 9000 0906 10 0000, 0906 20 0000 0907 00 0000 0908 10 0000, 0908 20 0000, 0908 30 0000

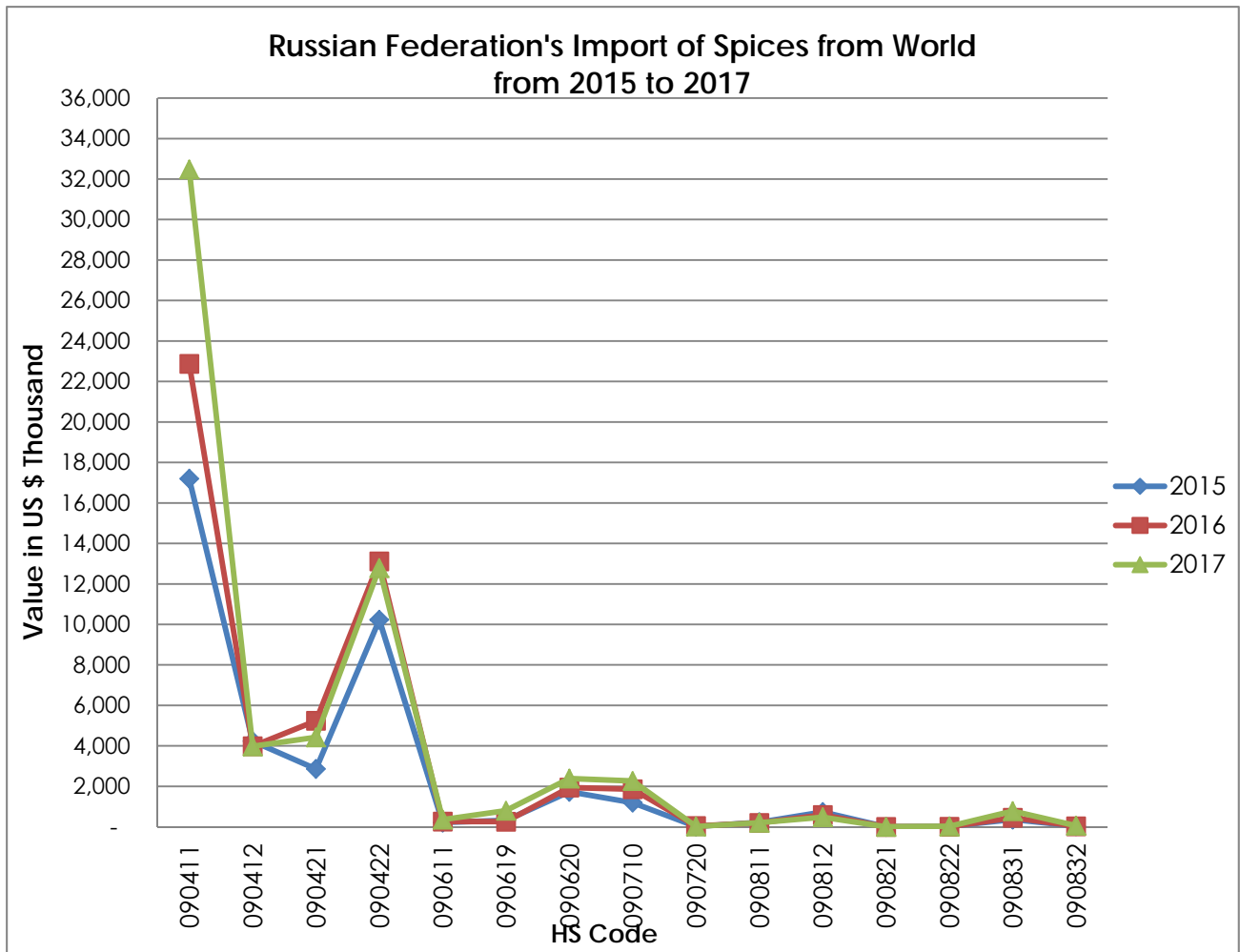
Target Market



Population	144.5 million	% Growth	0.11%
GDP per Cap:	10,743.1 (Current US \$)	% Growth	1.4%

Capital:	Moscow
Major cities:	St. Petersburg, Nizhniy Novgorod, Yekaterinburg, Samara-Tolyatti (in terms of economy)
Currency:	Rouble
Languages	Russian
Religions:	Russian Orthodox 15-20%, Muslim 10-15%, other Christian 2% (2006)

Market Share



Value in US \$ Thousand

S. No.	HS Code	Description	2015	2016	2017
1	090411	Pepper, Neither crushed nor ground	17,196	22,875	32,481
2	090412	Pepper, Crushed or ground	4,230	3,981	3,978
3	090421	Fruit of the genus Capsicum or of the genus Pimenta, Dried, neither crushed nor ground	2,860	5,240	4,424
4	090422	Fruit of the genus Capsicum or of the genus Pimenta, Crushed or ground	10,226	13,117	12,787
5	090611	Cinnamon Neither crushed nor ground	210	261	356
6	090619	Cinnamon Neither crushed nor ground, Other	315	256	799
7	090620	Cinnamon Crushed or ground	1,732	1,940	2,383
8	090710	Cloves Neither crushed nor ground	1,195	1,857	2,263
9	090720	Cloves crushed nor ground	14	42	18
10	090811	Nutmeg, neither crushed or ground	230	193	204
11	090812	Nutmeg, Crushed or ground	731	588	480
12	090821	Mace, Neither crushed nor ground	1	0	-
13	090822	Mace, Crushed or ground	19	5	22
14	090831	Cardamoms, Neither crushed nor ground	361	450	776
15	090832	Cardamoms, Crushed or ground	33	29	56
Total			39,355	50,835	61,026

According to the above chart some products of the spices such as Pepper has showed and increasing trend while some of the spices such as and Fruit of the genus Capsicum or of the genus Pimenta, has showed a decreasing trend while the other spices had showed a somewhat stagnated importation with in last three years.

But when it comes to the importation of spices as a whole it showed an increasing trend according to the above table. It has a high growth in the year 2016.

Total value of Imports (2017):	US \$ 61 Mn.
Average import value per ton:	US \$ 3,627.33
Total value of Imports from Sri Lanka to the Russian Federation (2017):	US \$ 1.15 Mn.

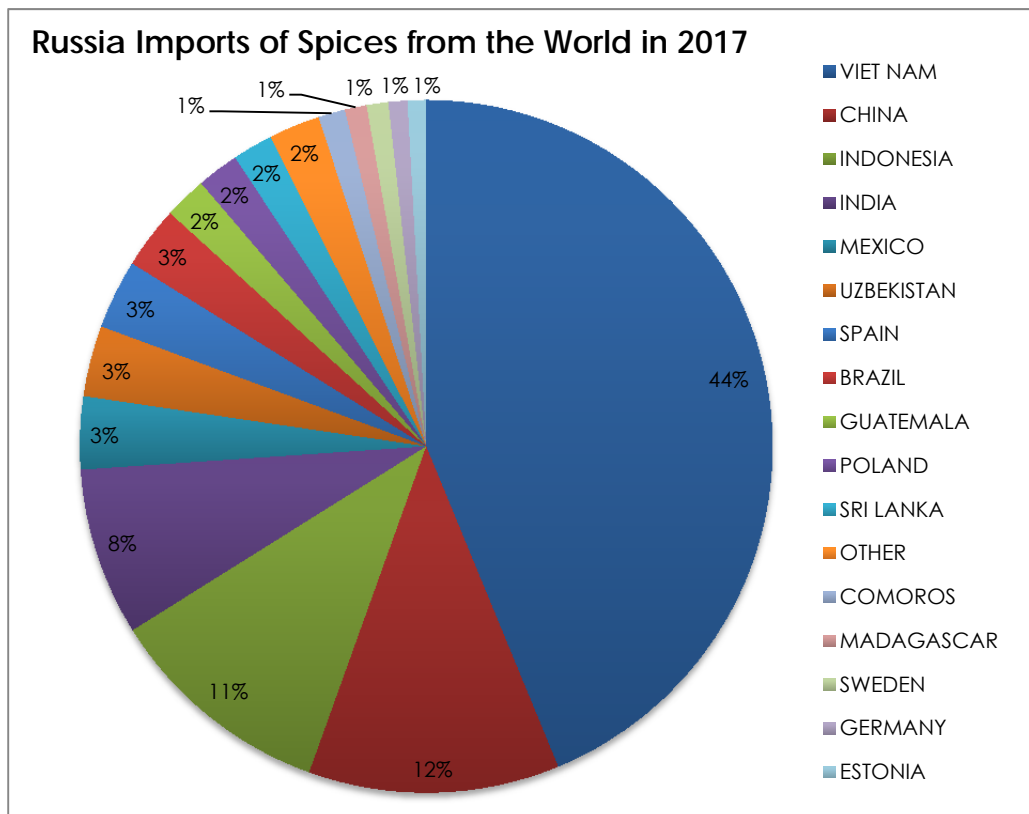
Source: Federal Customs Service of the Russian Federation

Sri Lanka Exports of Spices to the World from 2013 to 2017

Value in US \$ Thousand

HS	Description	2013	2014	2015	2016	2017
090411	Pepper, Neither crushed nor ground	125,415	66,213	139,706	68,081	79,121
090412	Pepper, Crushed or ground	2,216	2,936	4,054	4,243	4,627
090421	Fruit of the genus Capsicum or of the genus Pimenta, Dried, neither crushed nor ground	519	441	373	475	306
090422	Fruit of the genus Capsicum or of the genus Pimenta, Crushed or ground	358	560	580	812	1,066
090611	Cinnamon Neither crushed nor ground	126,088	130,444	129,339	154,760	198,197
090619	Cinnamon Neither crushed nor ground, Other	40	48	42	48	115
090620	Cinnamon Crushed or ground	7,006	1,777	2,728	4,372	4,189
090710	Cloves Neither crushed nor ground	49,175	13,522	46,027	12,829	46,589
090720	Cloves crushed nor ground	93	334	993	632	387
090811	Nutmeg, neither crushed or ground	13,946	12,958	9,472	9,557	9,205
090812	Nutmeg, Crushed or ground	1,770	1,806	1,752	1,453	1,042
090821	Mace, Neither crushed nor ground	4,855	3,384	3,555	2,341	3,980
090822	Mace, Crushed or ground	313	478	286	119	195
090831	Cardamoms, Neither crushed nor ground	114	194	955	5,701	5,552
090832	Cardamoms, Crushed or ground	51	109	124	91	158
Total		331,960	235,203	339,986	265,514	354,728

Source: Sri Lanka Customs



The dominated partner of exporting Spices to the Russian Federation is Vietnam. It has been captured nearly 45% of the market share when it comes to the year 2017. Vietnam is the world largest exporter of Pepper in the World compared to the other spices.

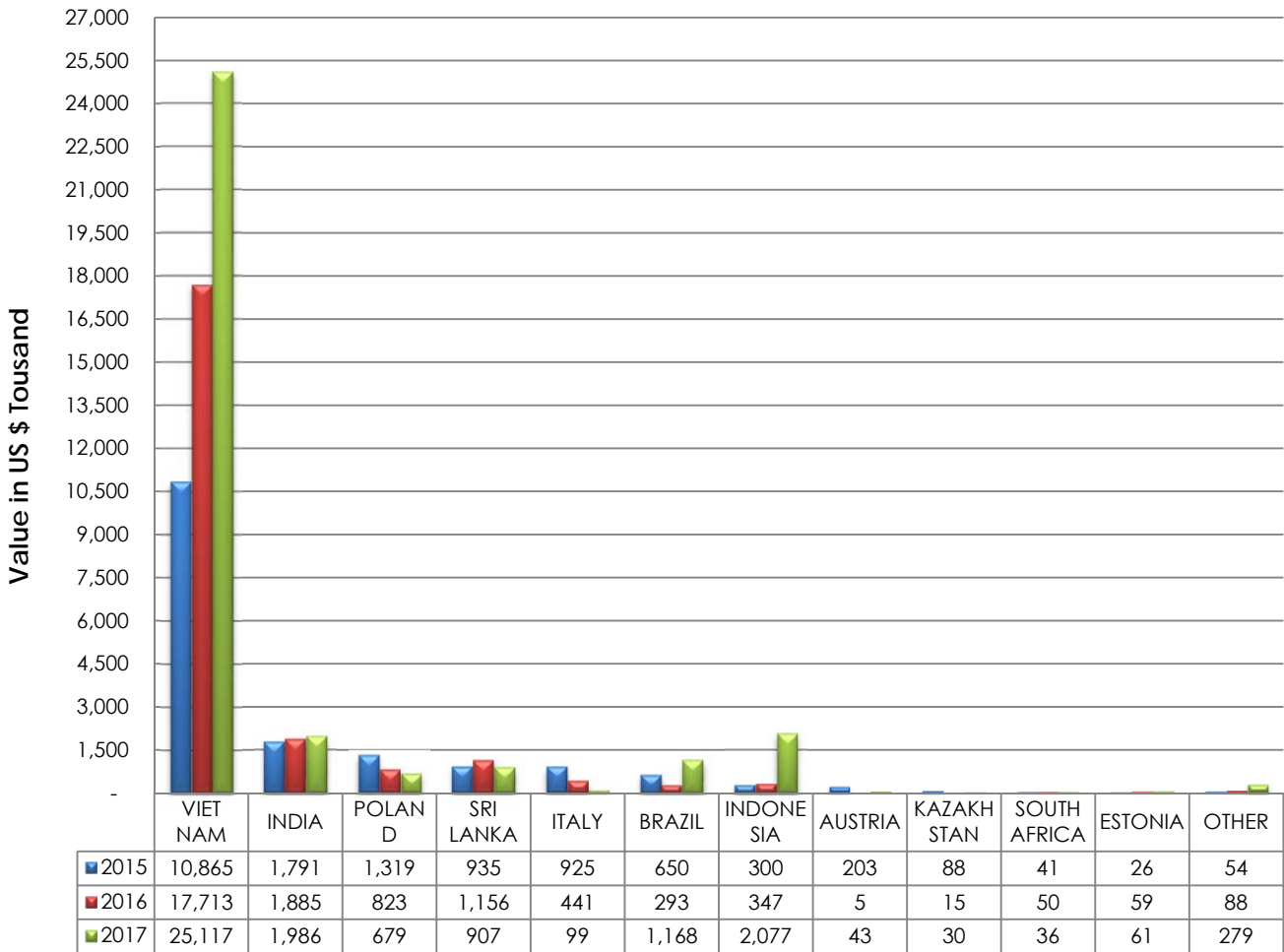
As a GSP beneficiary country of the Eurasian Economic Commission as a developing country similar to Sri Lanka they are benefiting 25% preferential tariff concession on the general customs tariff for the spices. Furthermore, Vietnam is benefiting with the zero customs duty for the spices products since they have entered into a Free Trade Agreement with Eurasian Economic Commission.

Other main exporters are China, Indonesia and India. But compare to the main supplier those three countries contribute nearly three quarter of it.

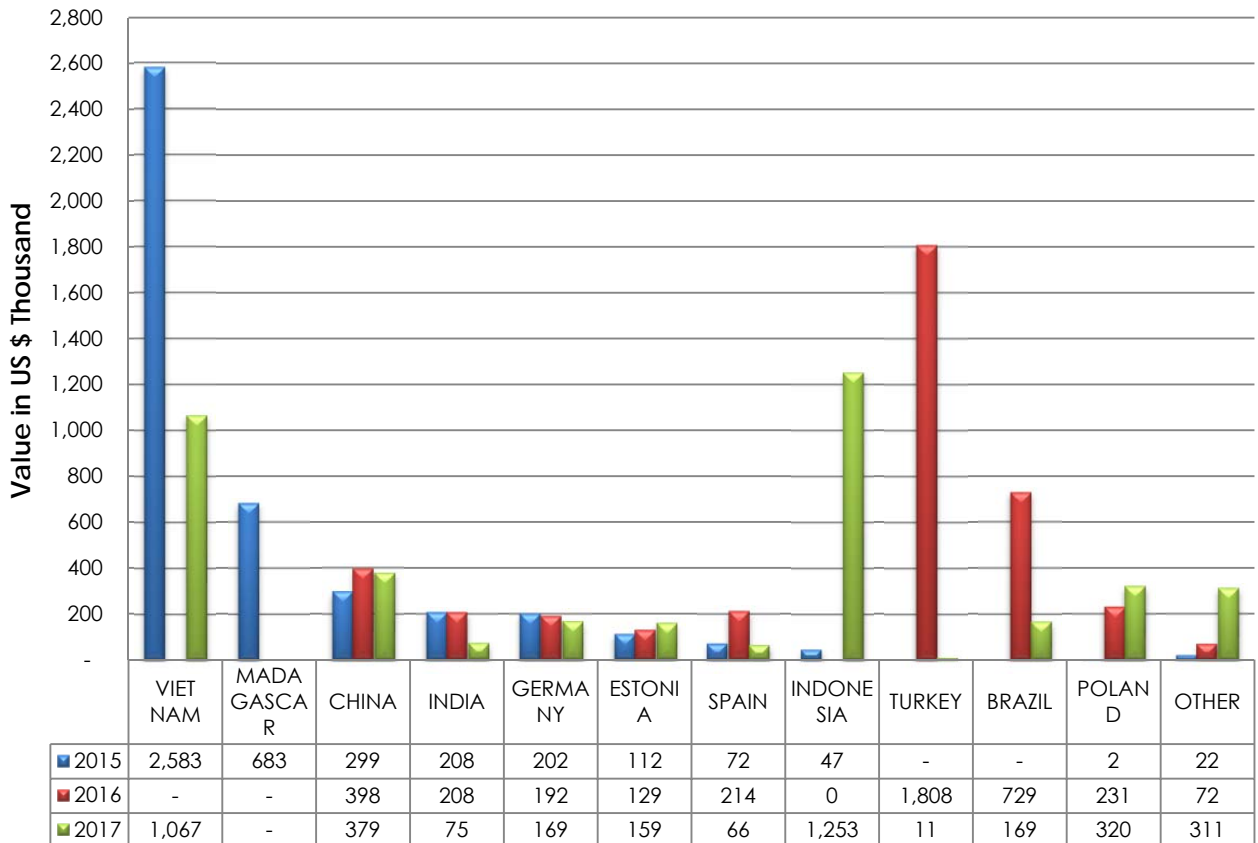
The US is the major importer followed by China, Vietnam, the UAE, Malaysia, Saudi Arabia, the UK, Germany, Singapore and Sri Lanka.

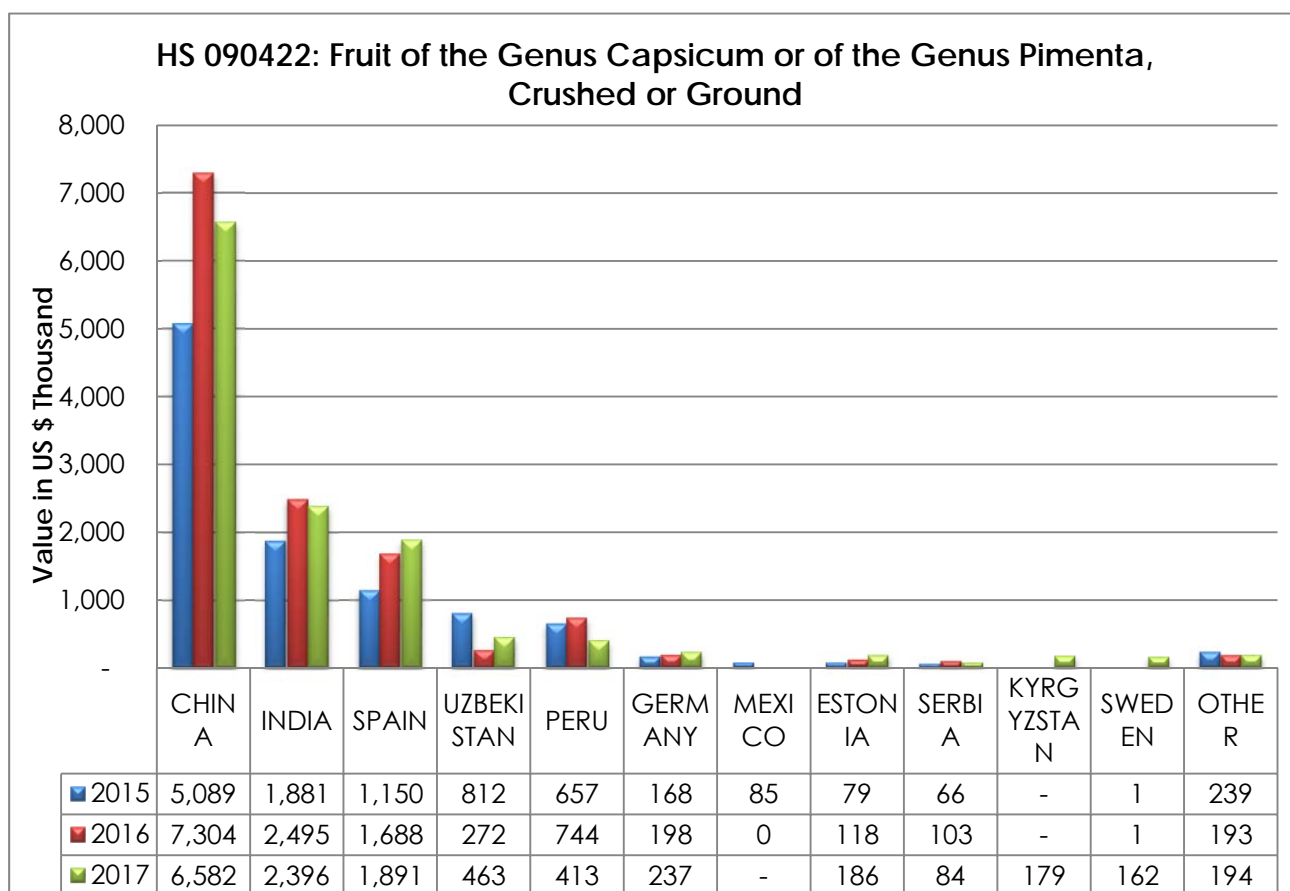
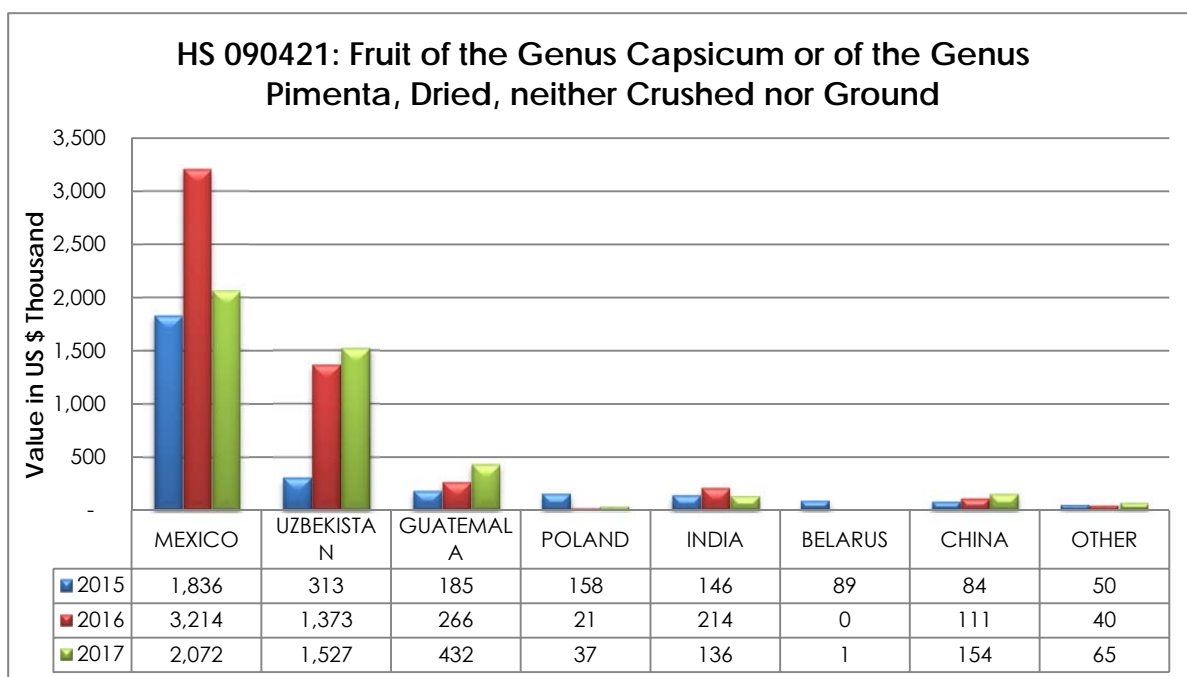
Spices are primarily used as flavouring agent in food, cosmetics production, perfume, as a vegetable or as medicine. The global market for seasonings, spices and herbs is growing with the support of the growing demand in food service; home cooking and growing consumer fascination for different cuisines, the total flavouring markets maintain an upward trend in volumes and values.

HS 090411: Pepper, Neither Crushed nor Ground

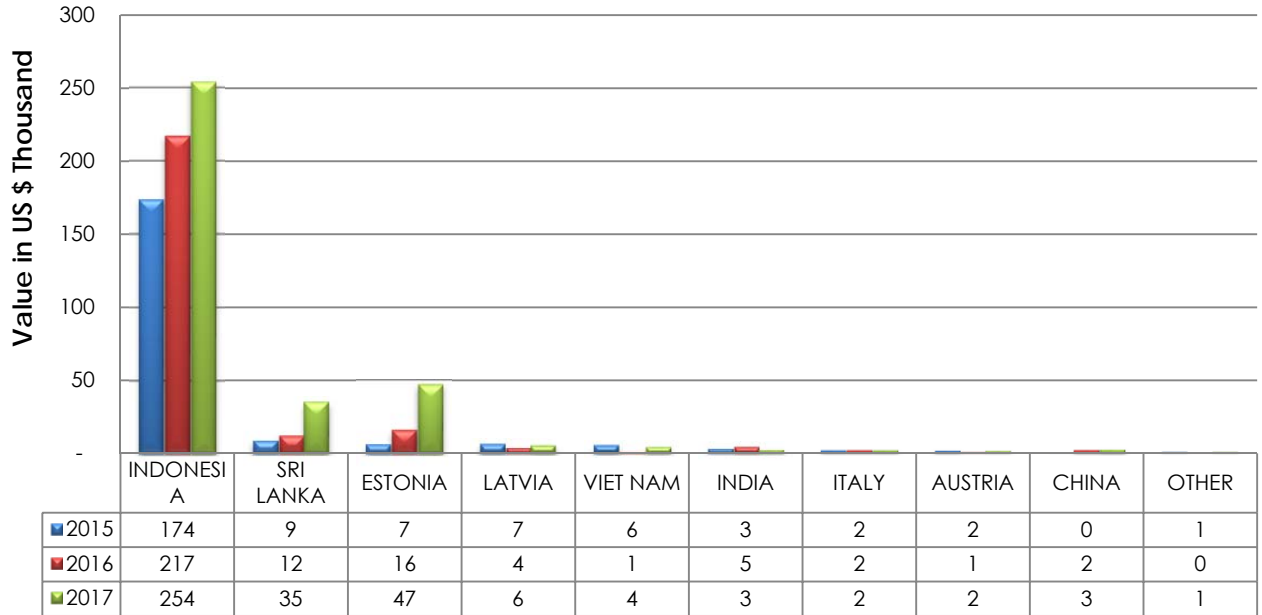


HS 090412: Pepper, Crushed or Ground

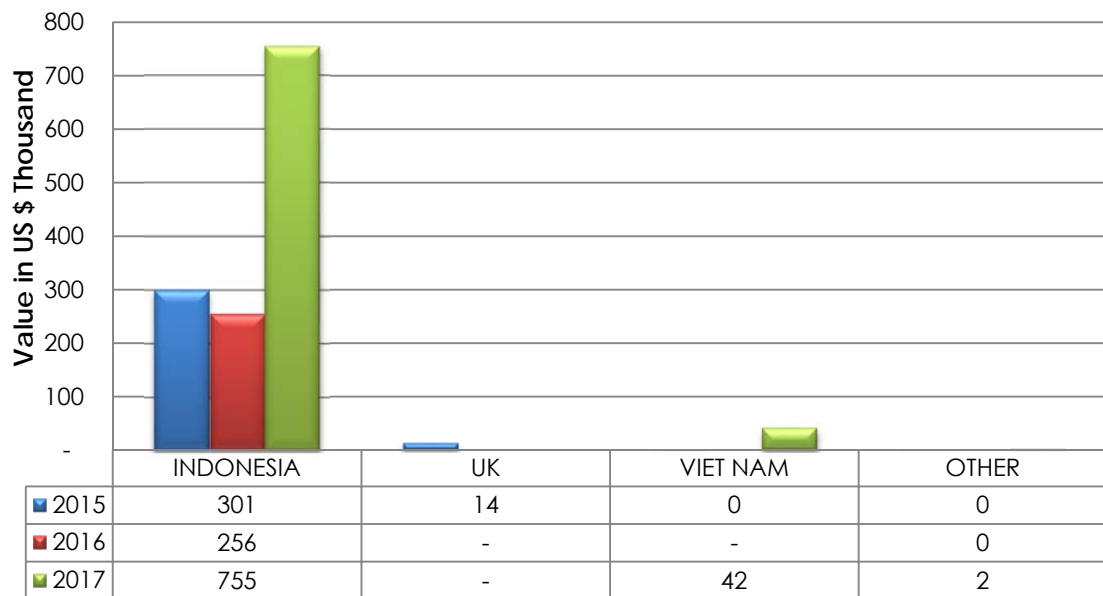


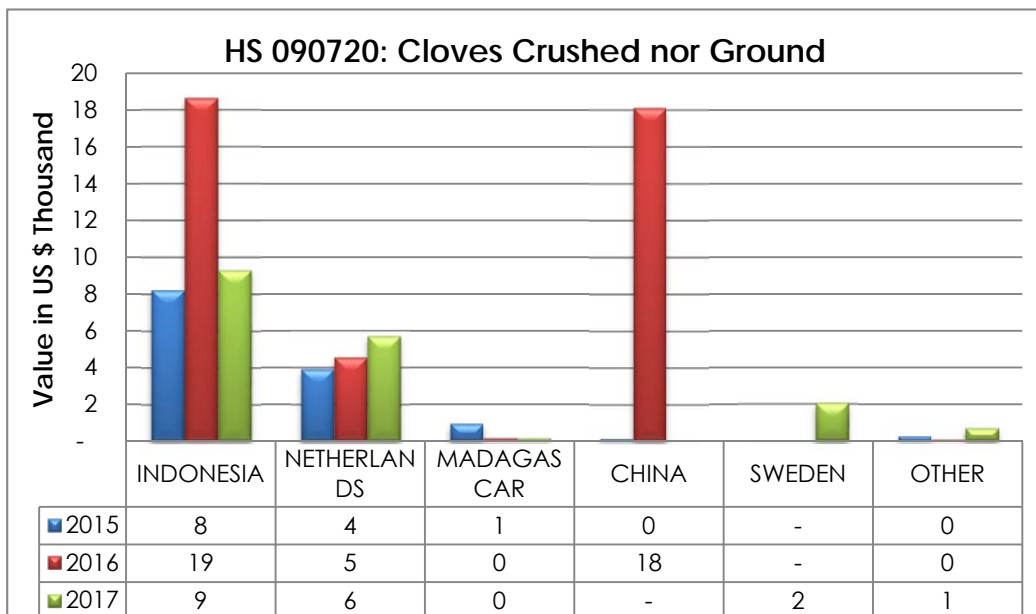
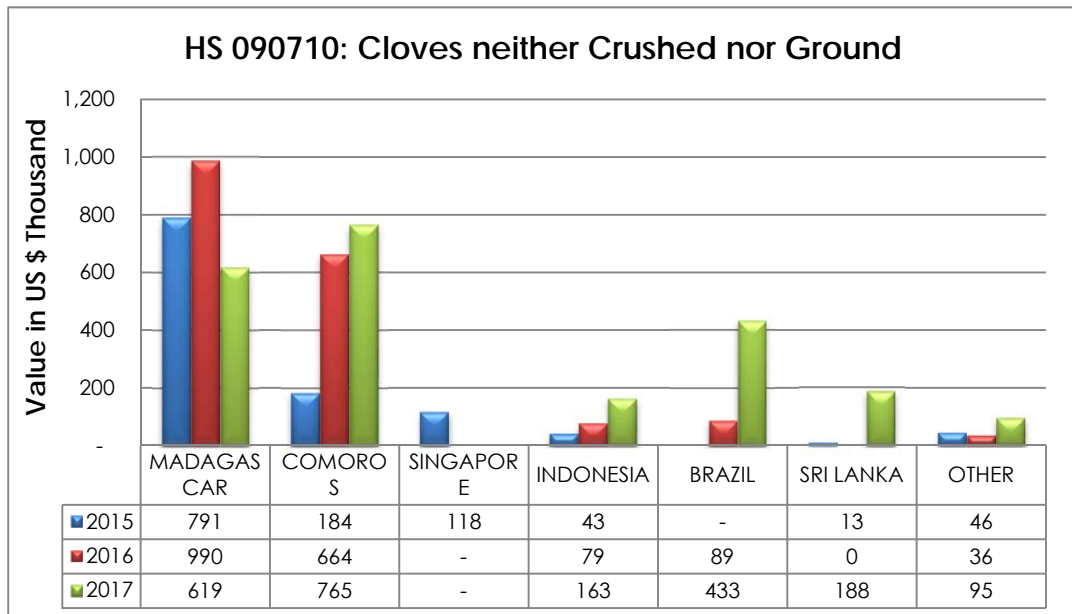
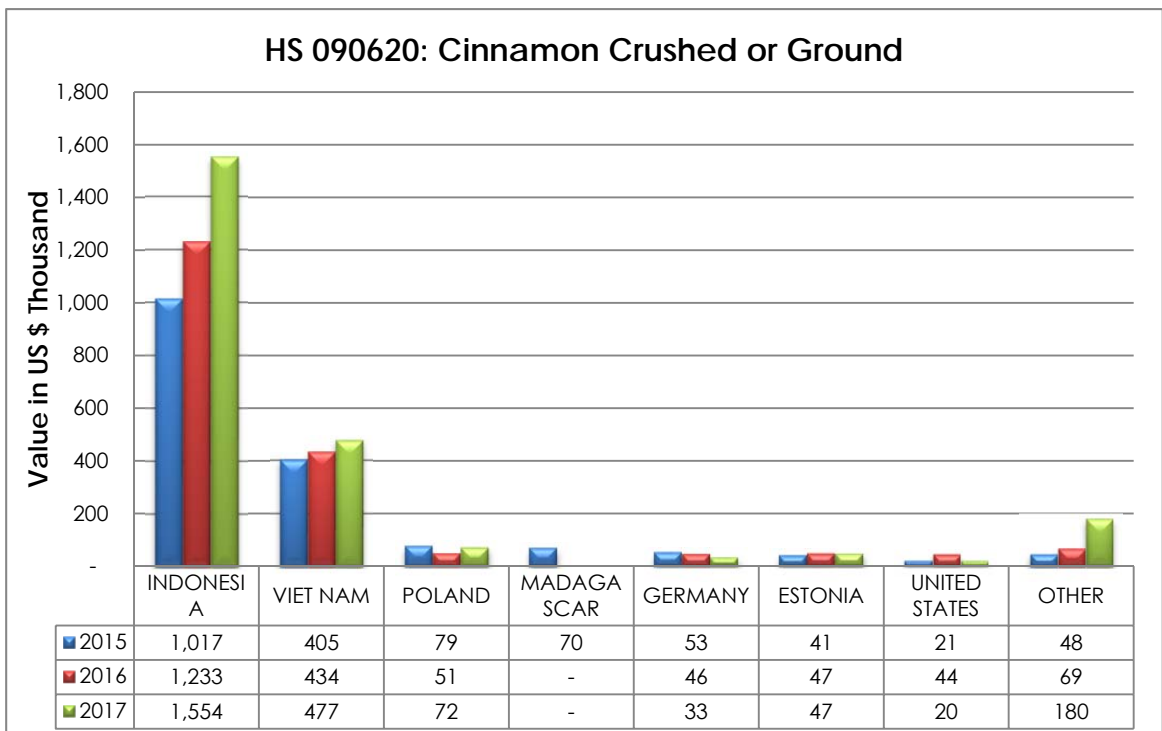


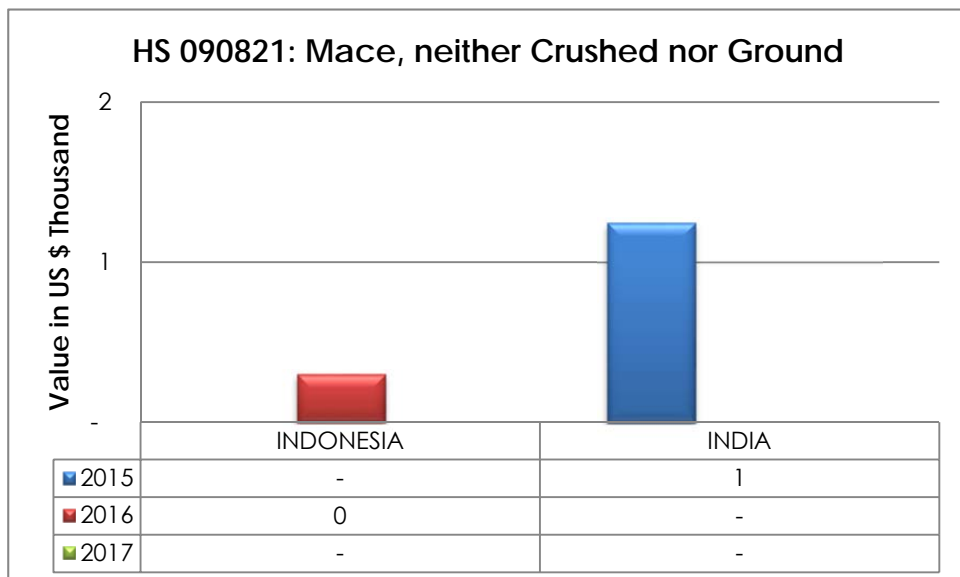
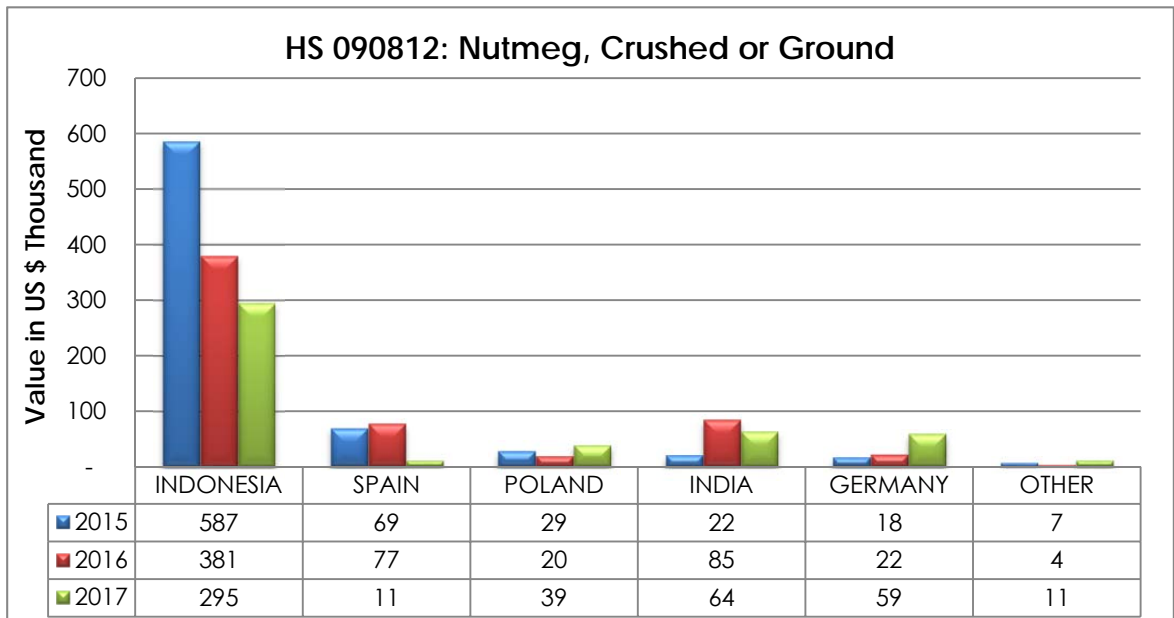
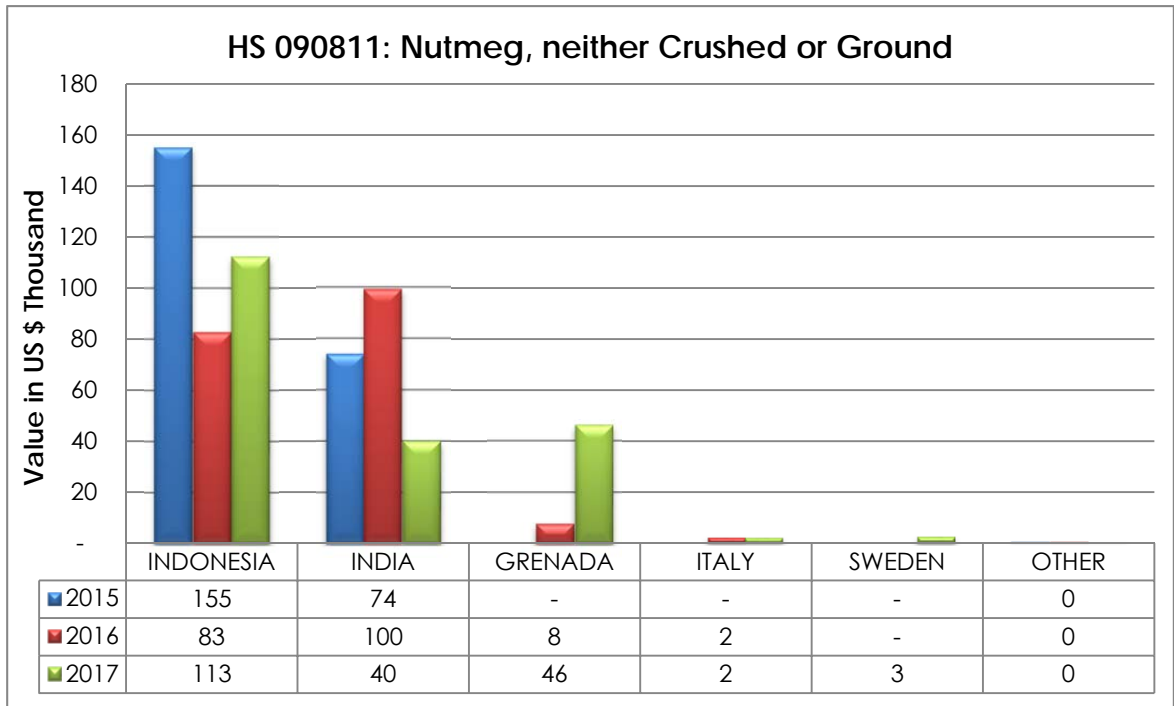
HS 090611: Cinnamon neither Crushed nor Ground

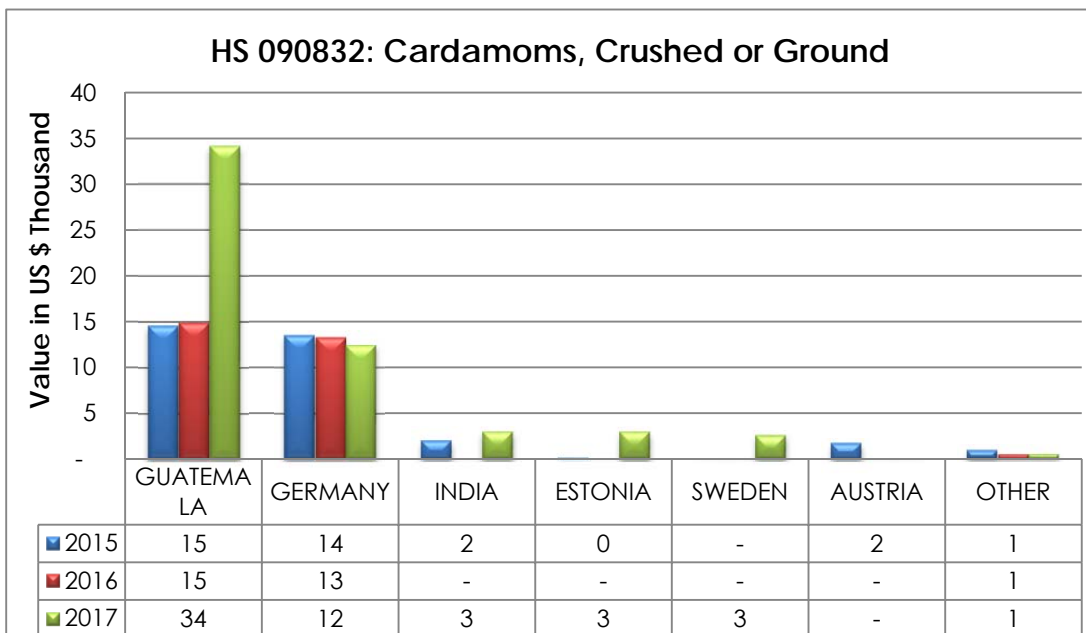
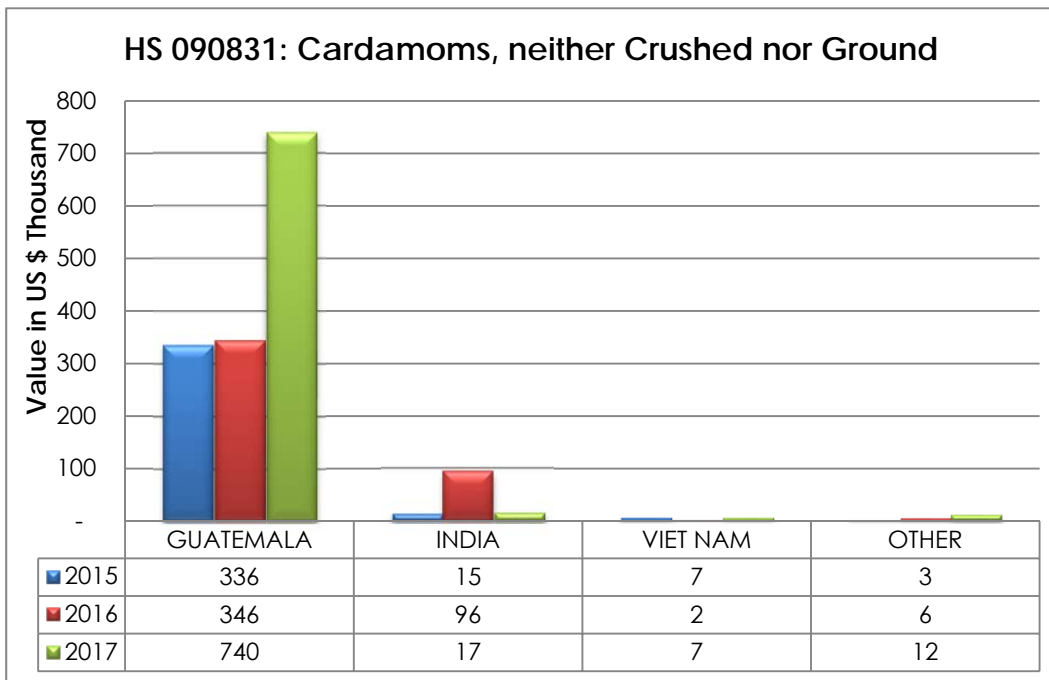
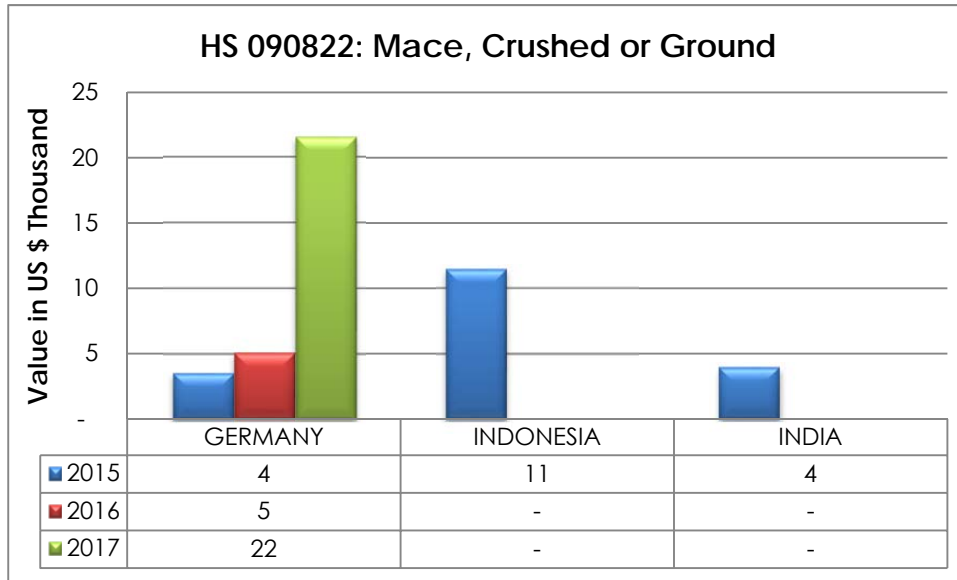


HS 090619: Cinnamon neither Crushed nor Ground, Other









Market Access

The Russian Federation is a member of the Eurasian Economic Commission since 2010. Hence, as a beneficiary country of the Generalized Systems of Preference (GSP) of the Eurasian Economic Commission Scheme, Sri Lanka has a preferential benefits when enter in to the Russian market and make the products competitive than the other non-beneficiary market of EAEU GSP scheme.

General applied tariff:	5%
Tariff applied to Sri Lanka:	2.25%
Tariff applied to main competitors; Vietnam:	0%
Other import duties to be paid:	Sales Tax 18% Import VAT 20% (<i>with effect from 2019</i>)

Certification:

- Phytosanitary Certificate issued by an authorised plant quarantine control body.
- Certificate of Origin under GSP scheme of EAEU from the Department of Commerce of Sri Lanka
- Preliminary customs declaration from the Federal Customs Authority of the Russian Federation (only for the first time and this declaration will be issued for five years from the date of issuance. The importer should obtain this declaration.)
- Conformity Certification – A certification body certifies the compliance of the products with technical regulations requirements (The Russian legal entity should obtain this certificate.)

Other regulatory requirements to comply with:

The exporters can see the unofficial translation of the Customs Code of the Eurasian Economic Union and the Russian Federation respectively;

http://www.eurasiancommission.org/en/act/tam_sotr/dep_tamoj_zak/Pages/Customs-Code-of-the-EAEU.aspx

http://www.pan-baltservice.ru/docs/RUS_THE_RF_CUSTOMS_CODE.pdf

According to the **Decision No. 318 of the Commission of the Customs Union dated 18th June 2010 “On Assurance of Plant Quarantine in the Customs Union”**, the member countries have agreed to a list of regulated products which are subject to quarantine phytosanitary control (supervision) on the customs border of the Customs Union and in the customs territory of the Customs Union as well as regulations on the procedure of quarantine phytosanitary control while the Spices are also indicated in the aforementioned list.

Accordingly, the regulated products are categorized in to two sections namely high phytosanitary risk and low phytosanitary risk. The Spices are categorized under the low phytosanitary risk products. Further, in the decision it has mentioned that “only regulated products of high phytosanitary risk imported into the customs territory of the Customs Union and transferred between the members states of the Customs Union must be accompanied by a phytosanitary certificate”. Even though, as a normal practice, the exporter should submit the phytosanitary certificate for the exporting consignment of spices.

Entry quarantine and phytosanitary control arrangements

a. Documentary control

The documents needed to be submitted for controls:

- commercial and shipping (transit) documents;

- phytosanitary certificate and import quarantine permit – only for the quarantinable products of high phytosanitary hazard;
- permit for quarantine objects imported for research purposes – if such a permit is required according to the Sides legislation.

For the quarantinable products with high phytosanitary hazard, the import quarantine permit and phytosanitary certificate are issued by the competent authority of the exporting country. For the quarantinable products with low phytosanitary hazard, these documents are not needed, and in places of destination within the territory of the recipient country its visual inspection will be carried out.

- b. Inspection of transport
- c. Inspection of quarantinable products
- d. Examination of quarantine products

Sanitary Control

Unified sanitary measures of the EAEU are applied in order to confirm that goods imported and distributed in the Russian Federation and other EAEU countries comply with all safety requirements and do not pose any threat to life and health which is indicated below.

- Decision No. 299 of the Customs Union Commission dated 28 May, 2010 – Uniform sanitary and epidemiological and hygienic requirements for products subject to sanitary and epidemiological supervision (control) and its amendments
 - Section 1. Requirements for safety and nutrition value of food products
 - Section 16. Regulations on Materials and Articles of Polymer and Other Materials Intended to Come into Contact with Food Products and Mediums
 - Section 22. Safety Requirements for Food Additives and Flavourings
 - Section 23. Safety Requirements for Processing Aids

Sanitary-epidemiologic control is performed by regional subdivision of the Federal Agency for Surveillance over Consumers Right Protection and Human Wellbeing (Rosпотребнадзор).

Following regulations are applicable when exporting spices and concentrates to the Russian Federation;

- decision No. 157 of the Customs Union Commission dated 30 November 2016 – On Approval of the Common Phytosanitary Quarantine Requirements to Regulated articles and Regulated premises on the Customs Border and in the Customs Territory of the Eurasian Economic Union and its amendment on decision No. 24 dated 30 March 2018.
- the Federal Law No. 206-FZ "On quarantine of plants" which was repealed Federal Law No.99-FZ of 2000 on plant quarantine.

This law has established general requirements over importation and exportation of quarantined plants to/from Russia including special requirements applied to importation of plants subject to low and high quarantined risk, special procedures of customs boarder control over imported and exported plants, etc.

- TR CU 029/2012 - Safety Requirements for Food Additives, Flavorings and Technological Aids

The Technical Regulation has been developed for the purpose of establishment in the unified customs territory of the Customs Union of the common requirements binding for application and fulfilment for food additives, flavorings and technological aids, as well as the content thereof in food products and ensuring free movement of food additives, flavorings and technological aids released into circulation in the unified customs territory of the Customs Union.

Technical Regulations (Confirmation of Compliance)

Confirmation of compliance is designed to verify the goods conform to the statutory quality and consumer characteristics requirements.

- Decision No. 880 of the Customs Union dated 9th December 2011, On the adoption of the technical regulations of the Customs Union "On food safety"

Under the above decision the GOST 28875-90 indicate the rules and methods of research (testing) and measurements, including the rules for sampling necessary to apply and fulfil the requirements of the technical regulation "On food safety" (TP TC 021/2011) and to assess (confirm) the conformity of products of spices.

Labelling requirements:

TR CU 022/2011 – Food Products Labelling

This technical regulation of the Customs Union sets out requirements for food products in terms of their labelling in order to prevent actions that mislead consumers about the enforcement of the rights of consumers to reliable information on food products.

The Eurasian Conformity mark (EAC) is a certification mark to indicate that products conform to technical regulations of the EACU. If the product has passed all conformity procedures of the EACU, manufacturers or suppliers should label it with an EAC mark. The mark must be put directly on the unit product (if it is possible) and/or tag (if any) and also on the packaging and technical documentation.

Packaging requirements:

TR CU 005/2011 – On Packaging Safety and its amendments

These technical regulations shall be applied to all types of packaging, including closures, constituting ready-made products, released in circulation in the customs area of the Customs Union, notwithstanding the country of origin.

Distribution channels:

The exporter needs to find a well-established distributor. A good distributor will typically sell and deliver the goods to end-users and/or the retail market and provide logistical support, including customs clearance and warehousing.

Trade Fairs:

1. "PRODEXPO" International Exhibition for Food, Beverages and Food Raw Materials, <http://www.prod-expo.ru/en/>
2. "peterfood", <http://www.peterfood.ru/en/>
3. "ingredients Russia" International Exhibition of Food Ingredients, <http://www.ingred.ru/en-GB/>
4. "Modern Bakery Moscow", <https://modern-bakery-moscow.ru.messefrankfurt.com/moscow/en/exhibitors/welcome.html?nc>
5. World Food Moscow, <https://www.world-food.ru/en-GB/>

Special Note: Exporting products into the Russian Federation can be a difficult task for inexperienced exporters, because import requirements and customs clearance rules frequently change. Therefore, it is recommended that the importer, with the help of up-to-date information sources, check all import documents closely and not violate Russian laws and Russian agencies' product-specific regulations.

Further, the information provided in this document may not be complete because clear and consistent information about these policies was not available in the reference websites (online)

as well as the regulations are changing regularly. The Embassy of Sri Lanka in the Russian Federation has requested the necessary information related to the regulation procedures in the Russian Federation from the Federal Services for Sanitary and Phytosanitary Surveillance of Russia. Once the respective information has been received and if there are any changes to the mentioned information in the report, the changes shall be notified.

References

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