



POSTHARVEST INSTITUTE FOR PERISHABLES

**MARKETING
OF
GRENADIAN SPICES
IN THE U.S.A.**

by
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MARKETING OF GRENADIAN SPICES

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EXECUTIVE SUMMARY

The U.S. Agency for International Development Mission in Grenada requested assistance from the Postharvest Institute for Perishables (PIP) in cable Grenada 2348. The request was for a spice marketing specialist who could assist Grenadian farmers and growers associations in serious export marketing problems with nutmeg, cinnamon, cloves and mace.

In response to the request PIP contracted Mr. Wayne Henry who spent time in Grenada analyzing the Grenadian situation. Then he spent time in the U.S. identifying potential markets for Grenadian spice exports and problems they might encounter in the U.S. markets.

Mr. Henry worked on the project at various times from July to December 1985. The entire consultancy was funded by PIP under Cooperative Agreement AID/DSAN-CA-0265. Mr. Henry's observations and recommendations are covered by this report.

MARKETING OF GRENADIAN SPICES IN THE U.S.A.

I. The Consulting Assignment

A.. Overall objective: Provide technical assistance for spice marketing in Grenada.

B. General Objectives:

1. Visit Grenada, meet with General Managers of the Nutmeg Association and Minor Spice Association.
2. Inspect warehouse and processing facilities.
3. Review the current marketing program for nutmeg, mace, cloves, clove stems, and cinnamon.
4. Identify U.S. importers, dealers, and grinders, and determine the best short-term opportunities for marketing Grenadian spices.
5. Give an independent assessment of the Nutmeg Association's present U.S. agents, and if the present arrangement is considered inadequate for proper representation of Grenadian nutmeg, make recommendations for alternative arrangements and/or agents.

II. Background

With the initial trip to Grenada, arrangements were made to meet with Bill Baucom, Regional Development Officer (RDO), USAID/Barbados. A general outline of the marketing objectives was discussed.

A meeting was held in Grenada with Robert Renwick, General Manager of the Nutmeg Association, and Harvey Neese, a private consultant, followed by a general meeting with the Board Members of the Nutmeg Association.

The Nutmeg Association is made up of approximately 6,000 farmers. Nutmeg production over the last 5 years has varied from approximately 5 to 6 million pounds per year and sales have varied from approximately 3.5 million to 6 million pounds per year. The sales in 1983 were 5.9 million pounds, whereas the average sales prior to 1983 was 4.2 million pounds. Over the same period of time, mace sales varied from approximately 500,000 pounds to 903,225 pounds with mace production varying from approximately 650,000 pounds to 330,000 pounds. Again, 1983 was an exceptional year with 903,225 pounds of mace sold.

The following tables show the quantity and percent of total sales of Grenadian spices to the top 10 countries over the last four years.

TABLE I - YEAR 1980

<u>Destination</u>	<u>Nutmeg Sales</u> (lbs)	<u>%</u>	<u>Mace</u> (lbs)	<u>%</u>
Holland	796,653	20.07	12,120	1.82
West Germany	616,560	15.53	344,280	51.70
Poland	477,120	12.02	0	0
U.K.	476,844	12.01	241,120	36.21
Belgium	330,400	8.32	17,920	2.69
U.S.A	317,200	7.99	75	.01
Canada	237,400	5.98	35,840	5.38
Spain	235,200	5.93	0	0
Argentina	230,160	5.80	2,240	.34
China	112,000	2.82	0	0

TABLE II - 1981

<u>Destination</u>	<u>Nutmeg Sales</u> (lbs)	<u>%</u>	<u>Mace</u> (lbs)	<u>%</u>
Holland	924,000	25.80	2,240	.45
West Germany	796,320	22.29	277,720	56.49
U.K.	512,324	14.34	163,300	33.22
U.S.A	318,080	8.90	2,940	.60
Argentina	239,680	6.71	0	0
France	192,640	5.39	0	0
Spain	176,960	4.95	0	0
Belgium	147,840	4.14	0	0
Canada	129,640	3.63	29,760	6.05
Italy	33,600	.94	0	0

TABLE III - 1982

<u>Destination</u>	<u>Nutmeg Sales</u> (lbs)	<u>%</u>	<u>Mace</u> (lbs)	<u>%</u>
U.K.	809,396	19.22	300,875	43.27
U.S.S.R.	660,000	15.07	0	0
West Germany	594,720	14.12	338,460	48.68
France	392,000	9.31	0	0
U.S.A.	362,600	8.61	0	0
Spain	230,880	5.96	0	0
Canada	243,600	5.79	16,480	2.37
Belgium	241,920	5.75	0	0
Holland	231,840	5.51	5,900	.85
Algeria	147,000	3.49	0	0

TABLE IV - 1983

<u>Destination</u>	<u>Nutmeg Sales</u> (lbs)	<u>%</u>	<u>Mace</u> (lbs)	<u>%</u>
West Germany	1,292,480	21.85	383,560	42.47
U.S.S.R.	1,102,000	18.63	0	0
Holland	556,640	9.41	31,360	3.47
Dubai	515,200	8.71	0	0
U.K.	490,332	8.29	390,515	43.24
Belgium	342,720	5.79	0	0
U.S.A.	313,880	5.30	1,120	.12
Cuba	248,640	4.20	0	0
Argentina	233,062	3.94	0	0
Canada	152,040	2.57	22,160	2.45

The figures shown in Table I through IV were taken from the annual reports of the Nutmeg Association. As can be seen, the U.S.A. has purchased on the average a little over 300,000 pounds of nutmeg per year for the last four years and for all practical purposes, no mace.

The following exhibits (Table V & VI) show the quantity of unground nutmeg and mace that was imported in the U.S.A. from 1979 through 1982. These figures were furnished by the American Spice Trade Association, Inc.

TABLE V
Unground Nutmeg

<u>YEAR</u>	<u>TOTAL IMPORTS</u> (lbs)	<u>GRENADA IMPORTS</u> (lbs)
1982	5,326,640	362,600
1981	4,774,660	318,080
1980	4,488,000	317,200
1979	5,210,480	252,780

TABLE VI
Unground Mace

<u>YEAR</u>	<u>TOTAL IMPORTS</u> (lbs)	<u>GRENADA IMPORTS</u> (lbs)
1982	473,660	0
1981	575,960	2,940
1980	463,540	75
1979	575,740	0

As can be seen from Table V, the total imports of unground nutmeg are rather constant amounting to approximately 5 million pounds per year with over 91% of the total nutmeg imports coming from Indonesia. Also, as can be seen in Table VI, the total imports of mace are fairly constant at approximately 500,000 pounds/year with virtually none coming from Grenada.

III. Current Situation

Marketing of Grenadian nutmeg and mace in the U.S.A. has several problems, some which are real and others questionable.

The total consumption of unground nutmeg in the U.S. runs around 5 million pounds, and it is unlikely that this figure will increase substantially. Indonesia produces more nutmeg than Grenada and currently controls the total market. The Grenada Government charges the Nutmeg Association an 18% export tax. This in itself makes it very difficult if not impossible for Grenada nutmeg to be competitive with the Indonesian product and return a reasonable profit back to the farmers.

Another problem, which is questionable, is that the Grenadian nutmeg has a 3 to 5 percent higher fat content than the Indonesian variety. It is a fact that with conventional grinding and processing the Grenada nutmeg will create more problems than Indonesian nutmeg. The higher fat content is more difficult to grind, is slower and creates more screen clogging problems than nutmeg with less fat. Consequently, the cost of processing is increased. However, several U.S.A. processors were questioned as to the degree of difficulty and how much impact this problem had on the bottom line. None of the processors questioned could give an exact answer and with further questions, most of them could not remember when, or if they had ever ground any Grenada nutmeg.

This observation demonstrates that a direct comparison should be made by an unbiased party to determine the conventional grinding characteristics, problems, etc. of Indonesian nutmeg versus Grenadian nutmeg. In addition, the study should also include a direct comparison of the quality of the two nutmegs as it relates to finished products. Given that Indonesia has the lion's share of the U.S. market, it is necessary to determine these facts so that a realistic value can be placed on the Grenadian nutmeg.

There are two primary reasons why the U.S. processors have not been interested in the Grenadian mace: (1) the price has been well over the world market and (2) the processors believe the same processing problems exist with the mace as with the nutmeg. Again, to know the real facts, a similar comparison by an unbiased party should be made between Indonesian and Grenadian mace.

Obtaining freight rates to U.S. points from Grenada can be a long and arduous task. Prospective buyers of Grenadian spices will back away from potential purchase transactions if price quotes take an unnecessary amount of time. A solution needs to be developed so that fast responses are automatic for the sending of freight rates and product costs to potential buyers.

IV. MINOR SPICES COOP

Meetings were held with Robert Ferguson, the General Manager of the Minor Spices Co-Operative Marketing Society, Ltd. The major spices produced and sold consist of cinnamon, cloves, clove stems and allspice.

The current production of cinnamon and cloves is approximately 40,000 to 50,000 pounds per year. Allspice is very minor with approximately 2-5 tons produced on an annual basis.

It becomes obvious that the Minor Spice Co-Operative with this small production could not become a significant factor in the U.S. market. However, by combining the marketing function with the Grenada Nutmeg Co-Op, it would then be possible to have a viable outlet for the minor spices in the U.S.A. (This has been discussed and agreed upon in principle by the two co-ops.)

The marketing problems of minor spices for the U.S. market are similar to the nutmeg problems. There has been very little effort to market the cinnamon and cloves in the U.S. That which has been offered has been offered at a price considerably above the world market. This is one major reason why the processors are not interested. Also, it is a general belief (real or not) that the cinnamon and cloves, particularly the cinnamon, does not have the quality of the Indonesian and India Cassia.

It is a fact that Grenadian cinnamon and cloves differ in quality from the majority of cinnamon and cloves found in the U.S. market. Consequently, a study by an unbiased party should be made to determine the actual quality differences and the value of this quality.

Another marketing problem in the U.S. exists for both the Nutmeg Association and Minor Spice Co-Operative. The Minor Spice does not have any direct representation and the Nutmeg is represented by a firm that also buys

and sells Indonesian nutmeg and mace. To have any chance of real success, it is imperative that the Grenada Nutmeg and Minor Spice Association appoint a representative in the U.S. to represent them and only them. This would eliminate any conflict of interest problems that may arise. Also having the capability to offer and market mixed containers of spices is a real asset to a successful marketing program. This will reduce the freight costs of small shipments of minor spices thus making the products more price competitive.

V. SUMMARY AND RECOMMENDATIONS

The results of this consultant's work on spice marketing problems in Grenada have been reported up to now, matter-of-factly, with no particular sense of urgency. There is, however, a very urgent need to assist the Grenada Co-Op in solving its marketing problems. Some 6,000 mostly small farmers depend wholly or partially on nutmeg sales for a livelihood. Estimates are that 30,000 people (one-third of the total populations) are involved in farm labor, processing, or transportation of nutmeg in a country where unemployment may be as high as 49 percent.

Nutmeg and mace have traditionally provided from between 35-40 percent of all foreign currency earnings for Grenada. With the large unsold inventory of nutmeg in Grenada storage depots, a breakdown of the economic benefits of this crop is evident. A continuation of the deteriorating marketing process of this important crop can only deepen the economic problems in Grenada. For these reasons, assistance that is recommended from AID should be given a priority. Considering the minimum amounts of assistance recommended, it is possible for the Grenada Nutmeg Co-Op and growers to begin standing more on their own feet as in the past. A long drawn-out process involving the small amounts of assistance might develop into a situation where more substantial help is needed in the future to shore up this depressed industry.

A long term will be required to develop a viable and profitable market for Grenadian spices in the U.S.A. Importers and dealers import the products that the processors want or are familiar with. The processors do not want to experiment with a nutmeg that has the potential of increasing costs unless there is a proper incentive.

Initial contacts made with processors and dealers indicated very little interest. However, with sampling and discussing the potential of the Grenadian products, interest has generated. It is believed that in general, the spices produced in Grenada have a higher quality than the major supply found on the world market. This belief must be researched and documented before a majority of the U.S. market would be willing to switch.

VI. Recommendations

A. Short-Term

1. Remove the 18% export tax on nutmeg.
2. Study and compare the grinding techniques, problems, cost, etc. of Grenadian nutmeg and mace versus Indonesian nutmeg and mace. (Preliminary investigations to locate qualified laboratories are completed.)
3. Appoint an exclusive agent with no conflict of interest to represent the Grenada Nutmeg and Minor Spice Co-Operatives in the U.S.A.
4. Attempt to establish a place in the U.S. market by offering Grenadian spices at 5-10% below the world market after which increase prices to a competitive level.
5. Negotiate with all possible freight agencies to establish the lowest possible freight rates to key ports into the U.S.A.
6. Set up a system to provide weekly quotations on delivered prices of nutmeg, mace, cinnamon, and cloves to New York and Miami (very important). This system should be able to respond to inquiries the same day with product prices and freight rates. The long time of response is presently a bottleneck to the marketing of Grenadian spices in the U.S.

B. Long-Term

(Because of the adverse financial position of the Nutmeg Association, it is recommended that AID financially assist in the long-term recommendations in addition to No. 2 in the short-term recommendations.)

1. Study the various quality characteristics of nutmeg, mace, cloves, and cinnamon grown in different parts of the world compared to the Grenadian counterparts.
2. Determine the economic feasibility of marketing nutmeg from Grenada other than in its whole form. Examples: grind and package in Grenada, crack and protect for further grinding in the U.S., oil extraction recovering and concentration in volatiles, etc.
3. Conduct an investigation of the Indonesian nutmeg industry to determine the trends in the largest producer country relating to modernization of facilities, organization of grower associations (which might lead to better marketing efficiency), projections on future crop yields based on last five-year plantings and any other changes that might show an increase or decrease in Indonesia's share of the world market. A knowledge of what is happening in Indonesia might be the basis for substantial changes in Grenada's nutmeg industry. This information would eliminate some of the unknowns and better enable Grenada to invest its money more wisely in preparing for the future in this important crop.

VII. Partial List of Brokers, Dealers and Processors Contacted in the U.S.A.

Watauga Herb Co.
International Brokers, Inc. (currently represent Grenada Nutmeg)
Lovelette & Associates, Inc.
Mueller, Ludwig Co., Inc.
Sayia, A.A. & Co., Inc.
Franklin Trading Co., Inc.
Golombeck, Morris J., Inc. (currently the major U.S. buyer of nutmeg)
Martin, Wm. & Sons Co., Inc.
Von Scheven, Inc.
Crescent Manufacturing Co.
Griffith Laboratories
Heller Seasonings & Ingredients, Inc.
Milwaukee Seasoning
McCormick & Co., Inc.
Safeway Stores, Inc.
San Francisco Spice Co., Inc.
Tone Brothers, Inc.
E.L. Scott & Co.
L.J. Cooper & Co.
Jungk Season, Inc.
University of Iowa on possible research
American Spice Trade Association, Inc.