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## THE US MARKET FOR FRESH HERBS

Market Brief #20

### INTRODUCTION

The fresh herb market continues to grow in response to consumer demand for fresh and healthy flavor profiles across a range of ethnic foods. This survey focuses on three of the most popular herbs in the US market: basil, oregano, and thyme.

**Basil**, or *ocimum basilicum*, has a strong clove-like flavor and fragrance, and is generally grown in warm climates with a long growing season. Experts suggest starting a basil crop in the temperate climate of a greenhouse, if possible, and later moving it outside, when night temperatures consistently remain above 50 degrees. There are a wide range of basil varieties, varying in taste, color, use, and ideal growing environment, the most common of which is sweet basil. This herb is used in many Italian, French, Greek and Southeast Asian dishes, and is the most popular herb in the US market.

**Oregano**, *origanum vulgare*, also known as wild marjoram, is a perennial plant that grows wild in the Mediterranean region, and in Asia. Its creeping rootstock produces a square, downy, purplish stem with opposite, ovate leaves that are dotted with small depressions. Oregano is widely used frequently in Italian, Mexican, Spanish, French, and Greek cooking.

**Thyme** is a perennial that is also native to the Mediterranean region. Its leaves are dark gray-green in color, and can be harvested for fresh use throughout the growing season. There are over one hundred varieties of thyme, but there are three that have a special place in cooking: lemon thyme (*thymus citridorus*), caraway thyme (*thymus herba-barona*), and common thyme (*thymus vulgaris*). Lemon thyme is a compact, upright shrub with tiny, heart-shaped leaves. It has a citrus tang, which makes it ideal for seasoning seafood dishes and to lighten fatty dishes, but it is milder than most other types. Caraway thyme is a low-growing variety that spreads quickly, and is used as an addition to meat dishes. Common thyme is most common to consumers and has narrow, pale grey green leaves with a pungent woody aroma. It grows in areas where there is plenty of sun and good drainage.

### PRODUCTION

Industry sources indicate that fresh herb production is well-developed across the US and is currently expanding to meet growth in consumer demand.<sup>1</sup> California and Florida, which benefit from long growing seasons and favorable weather conditions, are the leading sources for domestically produced fresh herbs. Hawaii and New Jersey are important second tier sources of domestically-produced herbs, although buyers' demand for reliable year-round supplies limits the ability of northern regions to compete in the market. Fresh herbs are primarily marketed through wholesale channels in the US, while smaller volumes are sold directly to consumers through farmers' markets.

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<sup>1</sup> Neither national or international agencies track herb production volumes or values

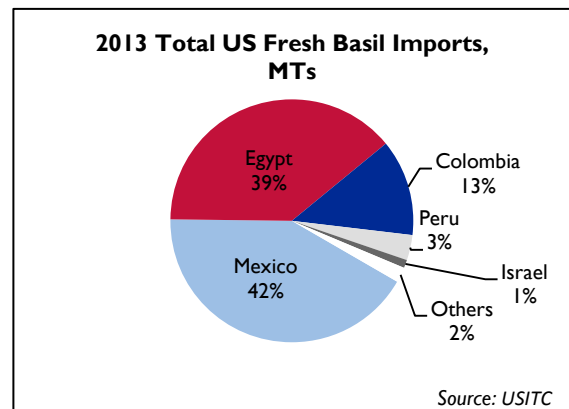
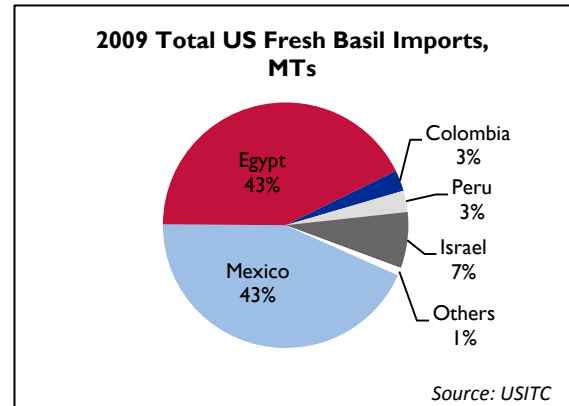
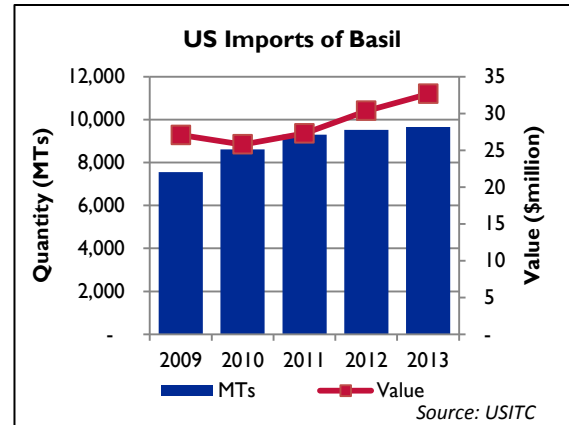
Sources confirm that the increase in domestic production over the last five years has been driven by growing demand from the retail sector, specifically among restaurants and supermarkets. Fresh herbs are taking the lead over dried herbs for use in home and institutional food preparation, as demand for fresh flavors, and more exotic dishes has increased. One important constraint in the development of the herb industry in North America is higher production costs compared with those of international suppliers from Central and South America, the Caribbean, and the Middle East. Despite recent growth in the domestic herb industry, low production costs enable developing world imports to be more competitive in the US market. Information about world production of fresh herbs is scarce. Yet, market reports highlight Turkey, Israel, Egypt, Mexico, India, and Spain among the major global producers.

## US MARKET

According to market news sources, the US market for fresh herbs consistently grew 10-12% per year between 2004 and 2014. Industry sources report that they expect this trend to continue for at least three years before leveling out as demand stabilizes. Existing literature suggests that demand for fresh herbs remains relatively constant, with small increases for specific herbs around certain US holidays, such as sage at the end of November for Thanksgiving and mint in May for the Kentucky Derby. Overall, basil remains the most popular herb among American consumers, while thyme, oregano, dill, chives, rosemary, mint, and sage are also category mainstays.

Outside of domestic producers, the largest supplier of fresh basil to the US is Mexico, with 42% of the market share. The balance of basil imports comes from Egypt (39%), Colombia (13%), Peru (3%), and other importers (3%). The top supplier of fresh oregano to the US market by a significant margin is Turkey, with 85% of the market share. After Turkey, sources include Mexico (6%), Albania (3%), and all other suppliers (6%). A breakdown of suppliers of fresh thyme to the US shows that Turkey accounts for 31% of the market, while Poland and Spain each fulfill 20% of imports, and Morocco (17%) and other suppliers (12%) hold the remaining market share.

Fresh herb imports are mostly handled by marketing companies under established brands. In order to meet growing demand and ensure consistent, high-quality year-round supply, some US herb companies have directly established growing operations, or growing partnerships from which to source their product. For example, Infinite Herbs, a major company based in Miami, FL, has production in Colombia, Mexico, Guatemala, and Peru, as well as growing partners in California, Massachusetts, New Jersey, and Florida. Meanwhile, other companies source their product from a combination of their own growing operations and wholesale markets, and others depend entirely on purchases from markets. Fresh herbs from most international suppliers are transported via air freight from the producing country to the US in temperature-controlled systems.





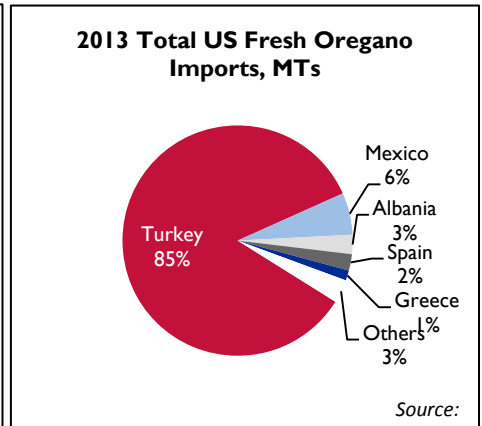
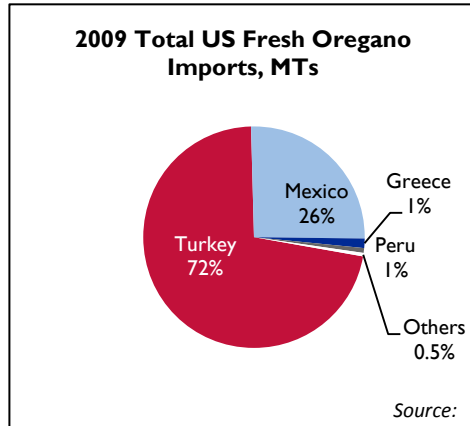
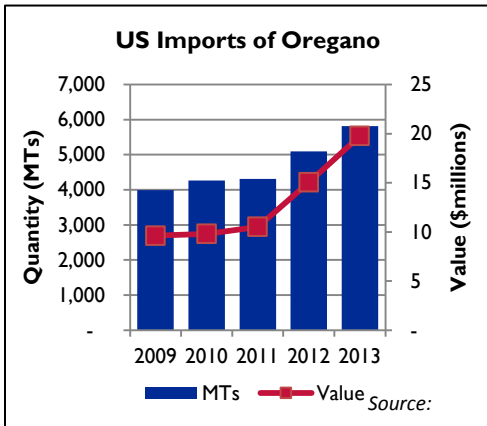
## SUPPLIERS

### Basil

**Mexico, Egypt, and Colombia** were the top three suppliers of fresh basil to the US market in 2013. Mexico was the dominant supplier, importing 4,044 MTs of basil valued at \$14 million, accounting for 42% of US imports by volume. Egypt was the second largest supplier of fresh basil to the US, exporting 3,754 MTs, valued at \$8.4 million, 39% of the share of imports. Colombia's share of US fresh basil imports in 2013 was 1,237 MTs, valued at \$5 million. Other major suppliers of basil to the US in 2013 included Peru, Israel, and France. This breakdown of the US market has remained stable since 2009, when both Mexico and Egypt each held 43% of the market share. One notable change is Columbia's growing share of the market from just 3% in 2009 to 13% in 2013.

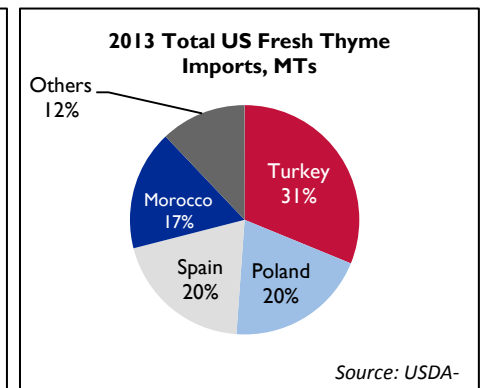
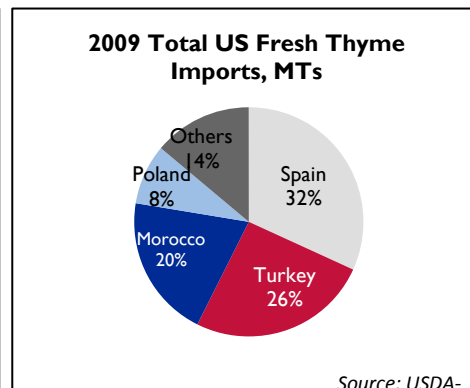
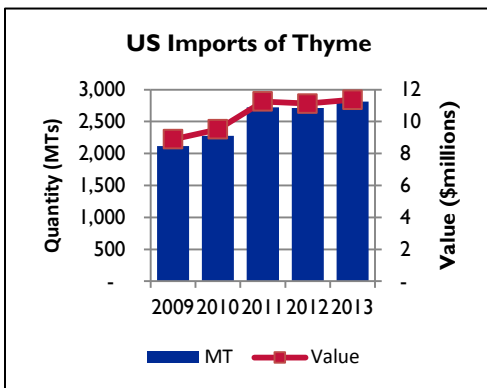
### Oregano

In 2013, **Turkey**, and **Mexico** were the two main suppliers of fresh oregano to the US market. Turkey's market share was significantly greater at 85%, with 4,912 MTs valued at \$16.7 million. Mexico followed Turkey with 343 MTs valued at \$1.4 million, representing just 6% of the market share. Other suppliers, including Albania, Spain, and Greece filled the remaining portion of the market. Since 2009, Turkey's share of the US market has increased from 72% to 85%, as has the share of smaller imports. Meanwhile, Mexico's market share has gone from 26% in 2009 to just 6% in 2013.



### Thyme

**Turkey, Poland, and Spain** were the top three suppliers by volume of fresh thyme to the US market in 2013. Total imports from Turkey reached 877 MTs and a total value of \$3.6 million, representing 31% of the total volume of imports. Meanwhile, imports from Poland represented a 20% share of the market, and totaled 560 MTs with a value of \$2.5 million, and Spain captured another 20% with 558 MTs in imports by the US with a value of \$2.4 million. Morocco followed the leading suppliers closely representing a 17% share of fresh thyme imports, while Mexico and Columbia were among the top secondary suppliers. This breakdown of US thyme imports has remained relatively steady in recent years, with these four countries as top suppliers in 2009 as well.



## SEASONALITY

According to industry reports demand for fresh herbs in the US is generally steady throughout the year, with a small boost in consumption around the winter holidays. Data for monthly imports of basil, oregano, and thyme show relatively steady demand for these herbs during the year with slightly distinct patterns of demand across the three crops.

### Basil

Import data for 2013 show the seasonal nature of US basil imports. Monthly imports peaked in October at 1,117 MTs, and were lowest in June at 578 MTs. Throughout the year Mexico and Egypt dominated the market, with a larger volume coming from Mexico between November and June. Between July and October, imports from Egypt began to increase, and peaked in October at 607 MTs. Imports from Colombia, and other smaller suppliers such as Peru and Israel supply steady but significantly smaller volumes throughout the year.

### Oregano

Turkey dominated US imports of oregano throughout 2013 while Mexico held a second tier supply position that maxed out between 14-18% of the import market from November to January. Smaller suppliers such as Albania, Spain, and Greece shipped lesser volumes that remained relatively steady throughout the year. Over the course of the year, import volumes were the lowest in September at 316 MTs, and peaked in February at 734 MTs.

### Thyme

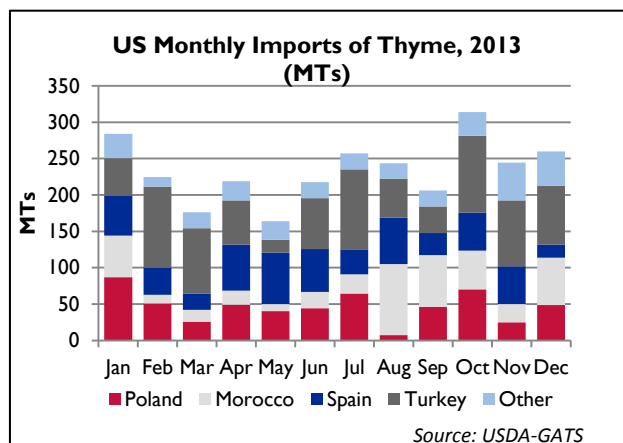
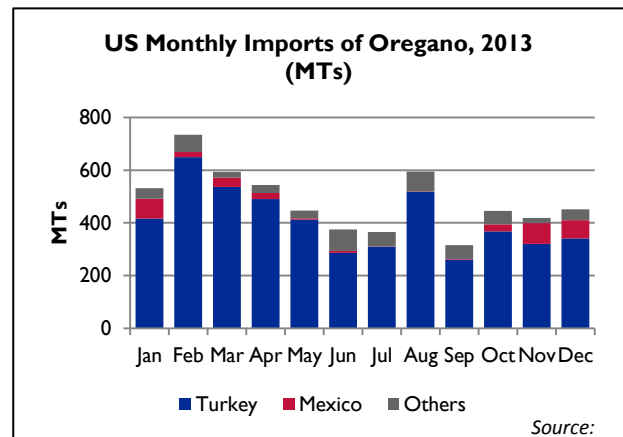
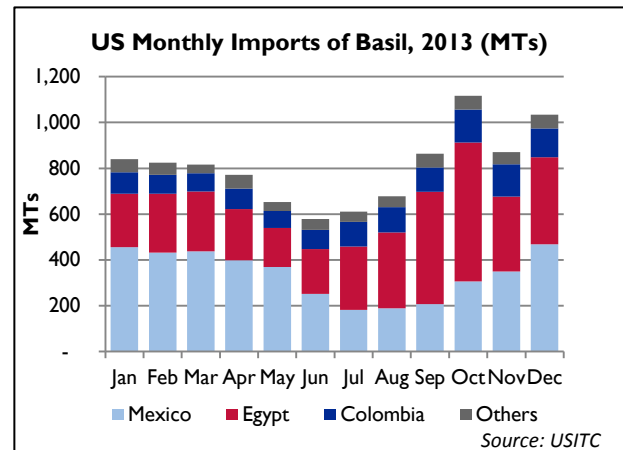
Poland, Morocco, Spain and Turkey each share a sizable percentage of US imports of fresh thyme. Import volumes of fresh thyme in 2013 show small fluctuations throughout the year, with no obvious seasonal pattern. Imports were lowest in May at 164 MTs and peaked in October with 314 MTs in imports.

## PRICES

Wholesale prices for fresh herbs tend to be fairly stable over time. Where prices do fluctuate it's usually on account of weather events in key production areas, according to industry sources. However these changes are not usually major or long lasting. Herb prices do tend to vary widely between US terminal markets as seen in the following graphs. For example, Mexican fresh basil at the Baltimore terminal market sold for more than twice the price reported by the Los Angeles terminal over the same period in 2014. West Coast terminal prices are under considerable pressure from local production and low-cost Mexican and Central American supplies driving these price differentials.

### Basil

Wholesale price data show significant volatility in 2013 and 2014. During this period, Mexican fresh basil sold for \$6.00-\$7.50 per 1 lb. film bag in the Baltimore terminal market with 20-25% price spikes in multiple months over the 2013-2014 period. Prices were significantly more volatile in Los Angeles where prices ranged from a low of \$2.13 over the two years to a high of \$5.00 during the same period.

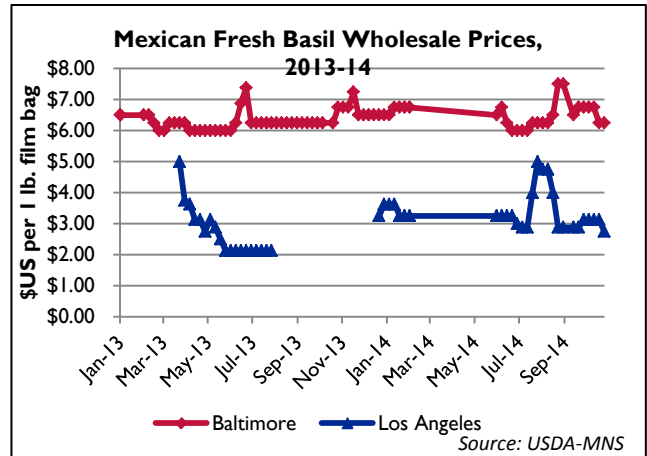


### Oregano

Price data for oregano show steady wholesale prices in 2013 and 2014. Colombian fresh oregano prices in the Baltimore terminal market ranged from \$8.25 and \$9.25 per 1 lb. film bag over this period. Prices were similarly steady for fresh oregano in the Miami terminal market, however, substantially (64% to 95%) lower than prices at the Baltimore terminal market.

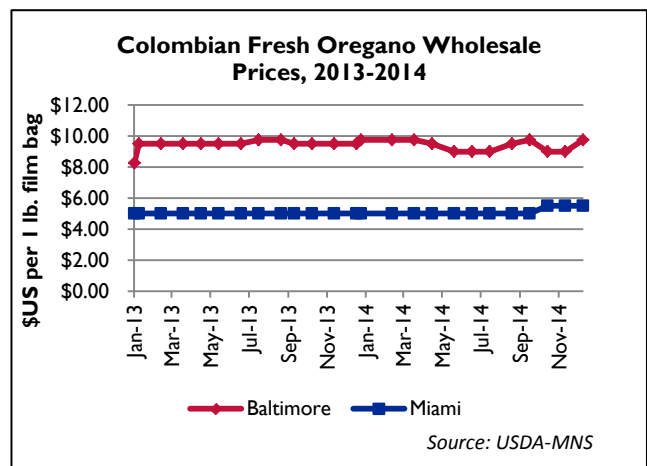
### Thyme

Following a low in January 2013, wholesale prices for Mexican fresh thyme in Baltimore also remained steady in 2013 and 2014, fluctuating between \$7.50 and \$8.50 per 1 lb. bag. While sparse, data from the Miami terminal market in early 2013 show that prices for thyme in that market were a fraction of those prices reported at the Baltimore market, in line with basil and oregano data.

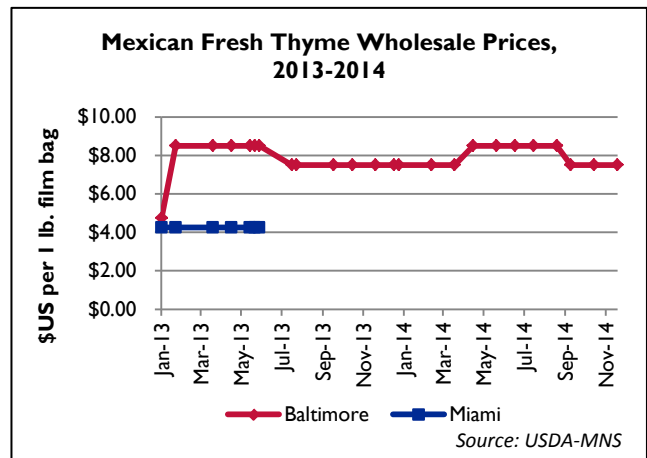


## STANDARDS, LAWS AND REGULATIONS

**Grades and Standards:** There are currently no global or US market grades or standards for fresh herbs. However, in response to the sector's rapid growth in recent years, an international effort was launched in 2014 to develop global quality standards. The effort is being led by the Codex Committee on Spices and Culinary Herbs (CCSCH), and the USDA is represented among committee members involved in the process. Despite the current absence of global grades and standards for fresh herbs, quality remains critical in this market, as with most specialty fresh produce products.



**Postharvest:** Temperature control is the primary factor in maintaining the quality of all fresh herbs after harvest. The optimum postharvest temperature for basil, oregano, and thyme is 32°F. If herbs are harvested early in the day, immediately cooled, and maintained at this temperature, they can have a shelf life of up to 3 to 4 weeks. Cooling is best done in a room with forced air cooling, or with vacuum cooling. Preventing moisture loss is also an important postharvest concern. Most herbs do best with high humidity (>95%), and moisture loss is best controlled by packaging, and maintaining herbs in high humidity conditions.



**Packaging:** After harvest, basil, oregano, and thyme are gathered in small bunches and secured using twist-ties, or rubber bands. They are then packaged in plastic bags, or in plastic clamshell containers, the most common packaging method in the US market. For export/shipping, these smaller packages are generally grouped into 1 lb. film bags, which are then packed in 1 kg, or 1 bushel corrugated cartons.

**Food safety:** Salmonella and E. coli are common food safety risks in the fresh herb business. There is a great deal of awareness around these risks since herbs are often used fresh on food, without cooking them to kill bacteria. For example, in 2013 FDA found that 12% of oregano and basil were contaminated. As a result of increased awareness, fresh herb growers are often required to follow Global GAP, HACCP and other related protocols to ensure food safety.

**Import Requirements:** Basil, oregano, and thyme are permitted entry into the US from Honduras with an import permit, which can be obtained by applying online with USDA-APHIS. The product must be shipped in accordance with the US Government's Code of Federal Regulations (7 CFR 319.56-3) dictating the importation of fruits and vegetables. All fresh herbs are subject to inspection at the port of entry. Basil and oregano from Honduras are prohibited entry into Puerto Rico, U.S. Virgin Islands, Hawaii, and Guam. Cartons in which basil or oregano from Honduras is packed must be stamped "Not for import into or distribution within PR, USVI, HI, or Guam".

**Tariffs and Trade:** Suppliers from Central America enjoy duty-free entry for fresh basil (HST code 1211.90.9140), oregano (HST code 0910.99.2000), and thyme (HST code 0910.99.0500)<sup>2</sup>.

## OUTLOOK

According to industry representatives, the fresh herb category continues to expand, creating opportunities for new suppliers. The segment's expansion is rooted in the increased awareness of the unique flavors and health benefits of fresh herbs, while becoming more and more comfortable with ethnic cuisines rooted in the use of basil, oregano and thyme.

While it is agreed that growth will continue in the short term, some sources suggest that the market will level off after a couple of years as demand stabilizes. To be competitive in the US market, prospective fresh herb suppliers must focus on quality and reliability of supply, preferably certified by third parties. Following production and processing protocols such as HACCP and GlobalGAP are becoming increasingly important (and sometimes mandatory) for buyers. Other than quality and reliability issues, sellers may consider niche marketing campaigns as an entry point into the US market, including organic. Organics have grown quickly over the past five years and continue to grow well, making this niche within the fresh herb category particularly promising.

Central America exporters will face stiff competition from a variety of global suppliers from Egypt and Turkey to Colombia and Peru. With relatively low costs of production Honduran exporters could benefit from closer proximity to the US consumer market.

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<sup>2</sup> Harmonized Tariff Schedule of the United States (2015), <http://hts.usitc.gov/>

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16. Buyers surveyed:

Company	Comments
Infinite Herbs Miami, FL Infiniteherbs.com (617) 387-5999	<ul style="list-style-type: none"> <li>• Infinite grows all of their own product. There are other companies that do this as well, and then at least half of the industry buys at terminal markets depending on what’s available. There are also some companies that grow half and buy half.</li> <li>• Prices consistent, but can fluctuate slightly depending on weather events, etc. In recent years they have not changed much.</li> <li>• Organics have exploded over the last five years.</li> <li>• “Local” has also become big and can mean lower demand for imported product during the months when northern regions of the US can produce on their own.</li> <li>• Following demand from consumers, retailers want more and more organic, and will sometimes source locally during summer months. Infinite has had this experience with Whole Foods.</li> <li>• Country of Origin Labeling</li> <li>• Demand pretty consistent year round, but they do see a spike in rosemary, sage, and thyme around Thanksgiving and Christmas, and mint for the Kentucky Derby, and chives in summer. The market has definitely grown in recent years, but their sense is now that it’s leveling off.</li> </ul>



Boris Co. Pompano Beach, FL (800) 369-1210	left message
Shenandoah Growers Harrisonburg, VA (540) 896-6939	no answer