EU MARKET SURVEY 2003

NATURAL INGREDIENTS FOR COSMETICS

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Mailing address: P.O. Box 30009, 3001 DA Rotterdam, The Netherlands
Phone: +31 10 201 34 34 Fax: +31 10 411 40 81
E-mail: cbi@cbi.nl Internet: http://www.cbi.nl
Office: WTC-Beursbuilding, 5th floor
37 Beursplein, Rotterdam, The Netherlands

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CENTRE FOR THE PROMOTION OF IMPORTS FROM DEVELOPING COUNTRIES

CBI: YOUR EUROPEAN PARTNER FOR THE EUROPEAN MARKET

The CBI (Centre for the Promotion of Imports from developing countries) is an agency of the Dutch Ministry of Foreign Affairs. The CBI was established in 1971. The CBI's mission is to contribute to the economic development of developing countries by strengthening the competitiveness of companies from these countries on the EU market. The CBI considers social values and compliance with the most relevant environmental requirements to be an integral part of its policy and activities.

CBI offers various programmes and services to its target groups:

Market information
A wide variety of tools to keep exporters and Business Support Organisations (BSOs) in developing countries in step with the very latest development on the EU market.
These include market surveys and strategic marketing guides for more than 40 product groups, manuals on export planning and other topics, fashion and interior forecasts and the CBI News Bulletin, a bi-monthly magazine. This information can also be obtained from our website at www.cbi.nl For all information on non-tariff trade barriers in the EU CBI has a special database, AccessGuide, at www.cbi.nl/accessguide
And finally CBI's Business Centre is offering free office facilities, including telephones, computers, internet and copiers for eligible exporters and BSOs. Market reports, international trade magazines, cd-roms and much more can be consulted in the information section of the business centre.

Company matching
The company matching programme links well-versed suppliers in developing countries to reliable importing companies in the EU and vice versa. The online matching database contains profiles of hundreds of CBI-audited and assisted exporters in developing countries that are ready to enter into various forms of business relationships with companies in the EU, as well as many EU companies interested in importing or other forms of partnerships such as subcontracting or private labelling.

Export development programmes (EDPs)
EDPs are designed to assist entrepreneurs in developing countries in entering and succeeding on the EU market and/or in consolidating or expanding their existing market share. Selected participants receive individual support over a number of years by means of on site consultancy, training schemes, trade fair participation, business-to-business activities and general export market entry support. Key elements usually include technical assistance in fields such as product adaptation, improving production, implementing regulations and standards and export marketing and management assistance.

Training programmes
Training programmes for exporters and BSOs on, among others, general export marketing and management; trade promotion; management of international trade fair participations and developing client-oriented market information systems. The duration of the training programmes vary between two days and two weeks and are organized in Rotterdam or on location in developing countries.

BSO development programme
Institutional support for capacity building for selected business support organisations.
The programme is tailored to the specific needs of participating BSOs and can include train-the-trainer assistance, market information systems support and staff training. CBI's role is advisory and facilitative.

Please write to us in English, the working language of the CBI.

Centre for the Promotion of Imports from developing countries
Centrum tot Bevordering van de Import uit de ontwikkelingslanden

Mailing address:
CBI
P.O. Box 30009
3001 DA Rotterdam
Phone +31 (0) 10 201 34 34
Fax +31 (0) 10 411 40 81
E-mail cbi@cbi.nl
Internet www.cbi.nl

Office:
WTC-Beursbuilding, 5th Floor
37 Beursplein, Rotterdam, The Netherlands.

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ProFound

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Klaus Dürbeck

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REPORT SUMMARY

Consumption and trends
No figures are available concerning the demand for natural cosmetic ingredients in the European Union. However, the production figures of the EU companies manufacturing the cosmetic end-product can be used to give an indication of the consumption of cosmetic ingredients in the EU.

The EU is the world's largest producer of cosmetic products, with the USA and Japan following at a distance. The main EU producers are multinational companies like Unilever (The Netherlands), L'Oreal (France), Wella (Germany), Sanofi (France), and Beiersdorf (Germany). Many of them operate across a wide spectrum, being involved in other sectors such as pharmaceuticals, chemicals, food and/or household products.

In view of trade data, market size (of end-products) and the main players in the European market, the leading EU markets for natural cosmetic ingredients are Germany, France, the United Kingdom, Italy and Spain. At the level of product groups, however, there can be other countries which are important markets. Spain, for example, is an important market for raw plant material and natural colours.

Trends which have an impact on demand for natural personal care and cosmetic products (ten Kate & Laird, 1999), and consequently the demand for ingredients include: increasing consumer sophistication and interest in all things natural; the entry of mass and prestige market companies and their large advertising budgets; changing demographics (ageing population); and increased demand for therapeutic products (cosmeceuticals).

Trade structure
Most companies source raw materials in dozens of countries. The material has usually passed through many hands before it reaches a manufacturing company, and most companies find they cannot obtain satisfactory details on its origin. Many do not consider this important, however, as long as the material meets their specifications and price requirements (ten Kate & Laird, 1999).

On the other hand, however, a number of partnerships has been created based on the sourcing of raw materials, often with the express purpose of contributing to environmental and social objectives, and sharing commercial benefits. Partnerships of this kind are increasingly common for alternative marketing campaigns.

Some leading industrial users have their own purchasing department, and major oil producers may be tempted to sell directly to industrial users, in order to get a better price for their oils. Nevertheless, traders and brokers still fulfil important functions, viz.:
- purchase of oils throughout the world or from specific geographic areas
- analysis and quality control
- rectification of the oil to fit the commercial standards
- blending
- sale to users

Different types of traders can be distinguished. Enterprises based in the producing countries are mainly involved in the sale and export of local products: they usually deal in large quantities of few commodities produced locally. Enterprises based in consuming countries are concerned with imports and supply of the domestic market: they handle a wide variety of oils. Lastly, some merchant houses are specialised in international trade of large volume quantities.

EU trade and the role of developing countries
The box below presents the leading EU importers and suppliers of selected natural ingredients for cosmetics, of particular interest to exporters from developing countries.

Product	Leading EU importers (Share in EU imports)	Share DCs	Leading DC suppliers (% total value supplied by DCs)
Jasmine oil	France (88%)	89%	Egypt (47%), India (44%)
Castor oil	France (53%), Germany (17%)	86%	India (90%)
Coconut oil	Germany (37%), The Netherlands (24%)	83%	Indonesia (47%), Philippines (39%)
Vetiver oil	France (58%)	76%	Haiti (78%)
Peanut oil	France (39%), Italy (30%)	71%	Senegal (82%)
Geranium oil	France (46%)	69%	China (52%)
Lime oil	UK (43%)	58%	Mexico (65%)
Lemon oil	UK (46%)	52%	Argentina (84%)
Other essential oils	France (33%), UK (19%)	51%	China (30%)
Waxes	Germany (30%)	48%	Brazil (47%)
Seaweed & algae	France (23%), Denmark (22%)	42%	Philippines (42%), Chile (21%)
Medic. & arom. plants	Germany (26%), France (19%)	42%	China (16%), India (13%)
Colouring matter	Spain (12%), France (11%)	30%	India (31%), Peru (27%)
Cocoa butter, fat & oil	Germany (29%), Belgium (18%)	27%	Côte d'Ivoire (43%)
Oil of other citrus fruit	The Netherlands (27%), France (16%), Germany (16%)	18%	Cuba (25%), Brazil (15%)

DCs: Developing countries
Source: Eurostat (2002)

Opportunities for exporters

Opportunities for exporters in developing countries lie in the following product groups:

- Essential oils (geranium, jasmine and ylang ylang, citrus, vetiver, patchouili, sandalwood, mint oils, cedarwood, nutmeg and clove).
- Vegetable oils and butters (castor oil, coconut oil, peanut oil, sweet almond oil, cocoa butter, shea butter, illipe butter)
- Natural colours (indigo, cochineal, carmine, curcuma/turmeric, marigold and henna)
- Botanical ingredients (please also refer to EU Market Survey "*Natural Ingredients for Pharmaceuticals*")
- Plant extracts (cassia angustifolia, centella asiatica, tamarind)
- Organic cosmetic ingredients

CBI services

For information on current CBI Programmes and training & seminars, and for downloading market information and CBI News Bulletins, please refer to www.cbi.nl. Currently, CBI has an export development programme for companies that manufacture natural ingredients for pharmaceuticals and/or cosmetics. Other interesting CBI publications are the EU Market Survey "*Natural Ingredients for Pharmaceuticals*" and "*Food Ingredients for Industrial Use*".

INTRODUCTION

This CBI survey consists of two parts: EU Market Information and EU Market Access Requirements (Part A), and Export Marketing Guidelines (Part B).

Market Survey

Part A
EU Market Information and Market Access Requirements

EU Market Information *(Chapters 1-8)*	**EU Market Access Requirements** *(Chapter 9)*
Product characteristics Introduction to the EU market Consumption and production Imports and exports Trade structure Prices	Quality and grading standards Environmental, social and health & safety issues Packaging, marking and labelling Tariffs and quotas

Part B
Export Marketing Guidelines: Analysis and Strategy

External Analysis (market audit) *(Chapter 10)*	**Internal Analysis (company audit)** *(Chapter 11)*
Opportunities & Threats	Strengths & Weaknesses

Decision Making
(Chapter 12)

SWOT and situation analysis:
Target markets and segments
Positioning and improving competitiveness
Suitable trade channels and business partners
Critical conditions and success factors (others than mentioned)
Strategic options & objectives

Export Marketing
(Chapter 13)

Matching products and product range
Building up a trade relationship
Drawing up an offer
Handling the contract
Sales promotion

Chapters 1 to 8 of Part A profile the EU market for Germany, France, the UK, Spain, Italy and The Netherlands. The emphasis of the survey lies on those products, which are of importance to developing country suppliers. The major national markets within the EU for those products are highlighted. Furthermore statistical market information on consumption, production and trade, and information on trade structure and opportunities for exporters is provided.

Chapter 9 subsequently describes the requirements which have to be fulfilled in order to get market access

for the product sector concerned. It is furthermore of vital importance that exporters comply with the requirements of the EU market in terms of product quality, packaging, labelling and social, health & safety and environmental standards.

After having read Part A, it is important for an exporter to analyse target markets, sales channels and potential customers in order to formulate export marketing and product strategies. Part B therefore aims to assist (potential) exporters from developing countries in their export-decision making process.

After having assessed the external (Chapter 10) and internal environment (Chapter 11), the (potential) exporter should be able to determine whether there are interesting export markets for his company.
In fact, by matching external opportunities and internal capabilities, the exporter should be able to identify suitable target countries, market segments and target product(s) within these countries, and possible trade channels for exporting the selected products (Chapter 12).

Chapter 13 subsequently describes marketing tools which can be of assistance in successfully achieving the identified export objectives.

The survey is interesting for starting exporters as well as well as exporters already engaged in exporting (to the EU market). Part B is especially interesting for more experienced exporters starting to export to the EU and exporters looking for new EU markets, sales channels or customers. Starting exporters are advised to read this publication together with the CBI's Export planner, a guide that shows systematically how to set up export activities.

Part A
EU market information

1 PRODUCT CHARACTERISTICS

1.1 Product groups

The cosmetic ingredients discussed in this survey fall in the following groups:

- Vegetable oils, fats and waxes (castor oil, coconut oil, peanut oil, sweet almond oil, cocoa butter, shea butter, illipe butter)
- Essential oils and oleoresins (geranium, jasmine citrus, vetiver, patchouili, sandalwood, mint oils, cedarwood, nutmeg and clove)
- Vegetable saps and extracts (gums, resins, other vegetable saps and extracts)
- Raw plant material (medicinal and aromatic plants, seaweed and algae)
- Natural colours (indigo, cochineal, carmine, curcuma/turmeric, marigold and henna)

It is important to note, however, that most of the ingredients are not only traded for the cosmetic industry, but also find their way to the food and pharmaceutical industries. For more information on these products, please also refer to CBI's surveys "*Natural Ingredients for Food Products*" and "*Natural Ingredients for Pharmaceuticals*".

1.2 Custom/statistical product classification

On January 1, 1988, a unified coding system was introduced to harmonise the trading classification systems used world-wide. This system is called the Harmonised Commodity Description System (HS) and was developed by the World Customs Organisation (WCO). The system comprises about 5,000 commodity groups, each identified by a six-digit code, arranged in a legal and logical structure and is supported by well-defined rules to achieve uniform classification. The system is used by more than 179 countries and economies as a basis for their Customs tariffs and for the collection of international trade statistics. After the six-digit code, countries are free to use further subheadings. In the trade data of Eurostat, an 8 digit system is used. Most codes, however, end with two zeros, i.e. effectively only using 6 digits. In some countries even 10 digits are sometimes used.

Most of the natural ingredients used in the cosmetic industry do not have an exclusive HS Code and are incorporated in a broader product code. A four to six-digit list of the main product groups is presented below. These product groups can be further divided into sub-groups to the extent of ten digits.

Product description	HS code
Vegetable (and animal) derived oils, fats and waxes	
Peanut oil & its fractions(not chemically modified)	1508
Coconut, palm kernel or babassu oil (not chemicallymodified)	1513
Fixed vegetable fats and oils and their fractions (e.g. jojoba oil,castor oil, tung oil and sesame oil)	1515
Animal or vegetable fats & oil, hydrogenated, inter-esterified	1516
Waxes (vegetable, bee and other insects)	1521
Cocoa butter, fat and oil	1804
Essential oils and oleoresins	**3301**
Bergamot	3301 11
Orange	3301 12
Lemon	3301 13
Lime	3301 14
Of citrus fruit	3301 19
Geranium	3301 21
Jasmine	3301 22
Lavender	3301 23
Peppermint	3301 24
Other mints	3301 25
Vetiver	3301 26
Other essential oils[1]	3301 29
Resinoids	3301 30
Extracted oleoresins	3301 90
Vegetable saps and extracts	**13**
Lac; natural gums, resins, Gum-resins and balsams	1301
Other vegetable saps & extracts	1302
Raw plant material	**12**
Medicinal and aromatic plants	1211
Seaweed and algae	1212 20
Colouring matter of vegetable or animal origin	**3203**

[1] The product group other 'essential oils' includes amongst others the following oils: anise, attar of roses, bay leaf, cananga, caraway, cassia, cedarwood, cinnamon, citronella, clove, eucalyptus, ginger grass, gyusho, ho, lemongrass, linaloe, niaouli, nutmeg, onion or garlic, orris, palmarosa, patchouili, petitgrain, rosemary, sandalwood, sassafras, thyme, ylang-ylang.

2 INTRODUCTION TO THE EU MARKET

The European Union (EU) is the current name for the former European Community. Since 1 January 1995 the EU has consisted of 15 member states. Ten new countries will join the European Union in 2004. Negotiations are in progress with a number of other candidate member states.

In 2002, the size of the EU population totalled 379.4 million; the average GDP per capita amounted to approximately € 21,023 in 2002.

Within Western Europe – covering 15 EU member countries, Iceland, Liechtenstein, Norway and Switzerland – more than 20 million enterprises are active. Small and medium-sized enterprises (SMEs) accounted for the lion's share. In 2000, the average turnover per enterprise of SMEs and large enterprises amounted to € 600 thousand and € 255 million respectively.

EU Harmonisation
The most important aspect of the process of unification (of the former EC countries), which affects trade, is the harmonisation of rules in the EU countries. As the unification allows free movement of capital, goods, services and people, the internal borders have been removed. Goods produced or imported into one member state can be moved around between the other member states without restrictions. A precondition for this free movement is uniformity in the rules and regulations concerning locally produced or imported products. Although the European Union is already a fact, not all the regulations have yet been harmonised. Work is in progress in the fields of environmental pollution, health, safety, quality and education. For more information about harmonisation of the regulations visit AccessGuide, CBI's database on European non-tariff trade barriers at www.cbi.nl/accessguide

Monetary unit: Euro
On 1 January 1999, the euro became the legal currency within eleven EU member states: Austria, Belgium, Finland, France, Germany, Greece, Italy, Ireland, Luxembourg, The Netherlands, Spain, and Portugal. In 2002 circulation of euro coins and banknotes replaced national currency in these countries. Denmark, United Kingdom and Sweden have decided not to participate in the Euro.

The most recent Eurostat trade statistics quoted in this survey are from the year 2001. In this market survey, the euro (€) is the basic currency unit used to indicate value.

Trade figures quoted in this survey must be interpreted and used with extreme caution. The collection of data regarding trade flows has become more difficult since the establishment of the single market on 1 January 1993. Until that date, trade was registered by means of compulsory customs procedures at border crossings, but, since the removal of the intra-EU borders, this is no longer the case. Statistical bodies like Eurostat cannot now depend on the automatic generation of trade figures. In the case of intra-EU trade, statistical reporting is only compulsory for exporting and importing firms whose trade exceeds a certain annual value. The threshold varies considerably from country

Overview 15 EU countries, 2002

Population	**379.4 million**
Area	**31,443,000 km²**
Density	**83 people per km²**
Languages	**15 (excl. dialects)**
GDP/capita	**€ 21,023**
Currencies	**€, UK£, DKr., SKr.**
Exchange	**€ 1 = US$ 0.99**

Source: The World Factbook 2002

Population and GDP of selected EU countries, 2002

Countries/category	Population in millions	Age 15-64	GDP (€ billion)
Germany	83.3	68%	2,206
France	59.8	65%	1,556
UK	59.8	66%	1,485
Italy	57.7	67%	1,416
Spain	40.1	68%	836
The Netherlands	16.0	68%	417

Source: The World Factbook 2002

to country, but it is typically about € 100,000. As a consequence, although figures for trade between the EU and the rest of the world are accurately represented, trade within the EU is generally underestimated.

Furthermore, the information used in this market survey is obtained from a variety of different sources. Therefore, extreme care must be taken in the qualitative use and interpretation of quantitative data, both in the summary and throughout the text, as well as in comparisons of different EU countries with regard to market approach, distribution structure, etc.

For more information on the EU market, please refer to the CBI's manual Exporting to the European Union.

3 CONSUMPTION

3.1 Market size

No figures are available concerning the demand for natural cosmetic ingredients in the European Union. One of the underlying problems is that most of the ingredients are also traded for other end-users (e.g. the food and pharmaceutical industries). The production figures of the EU companies manufacturing the cosmetic end-product can, however, be used to give an indication of the consumption of cosmetic ingredients in the EU.

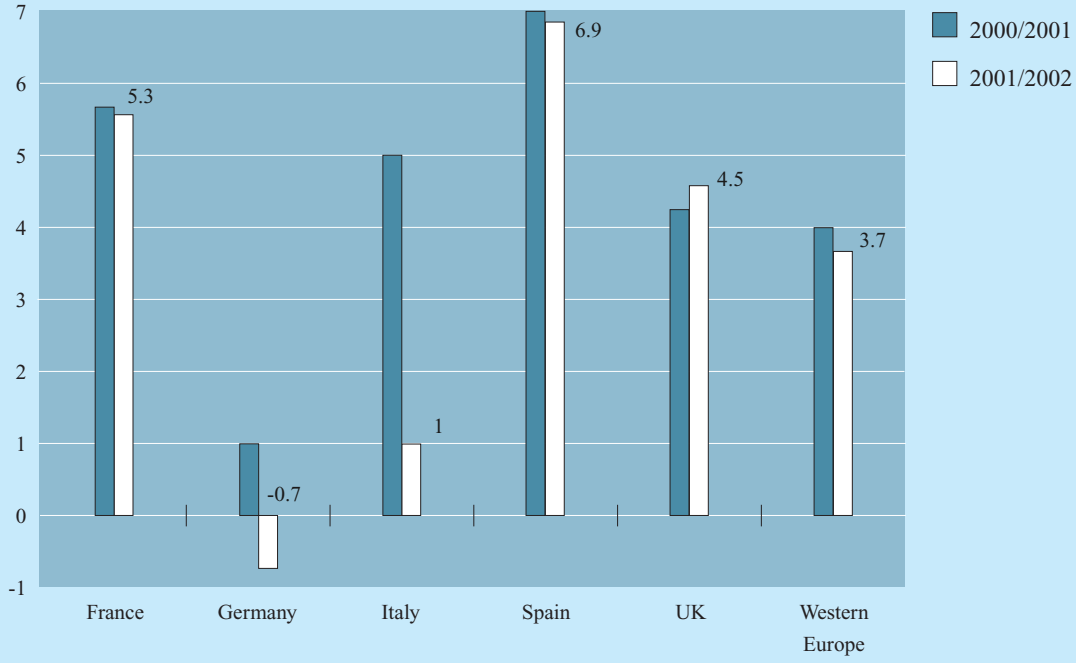
The EU is the world's largest producer of cosmetic products, with the USA and Japan following at a distance. The main EU producers are multinational companies like Unilever (The Netherlands), L'Oreal (France), Wella (Germany), Sanofi (France), and Beiersdorf (Germany). Many of them operate across a wide spectrum, being involved in other sectors such as pharmaceuticals, chemicals, food or household products.

The global market for cosmetics and toiletries in 2002 was valued at € 182 billion indicating an increase of 3.5 percent compared to 2001. The strongest growth was in Eastern Europe at 11 percent. Western Europe represented almost 29 percent of the global cosmetics and toiletries market, with North America closely following with just over 27 percent of total sales. Asia Pacific (24%) ranked third and Latin America (9.5%) took fourth place. The remaining 11 percent is accounted for by Africa & the Middle East, Eastern Europe and Australia.

The principal market drivers were: growing consumer concerns about health, a sense of well-being and looking good. Men's grooming products were a particular beneficiary of this trend. Older consumers were also mentioned as a core target group, many of whom are increasingly affluent and keen to spend more on maintaining a youthful appearance. Other trends include interest in "natural", spa-at-home and detox products as people look for ways to feel good about themselves and escape from the stresses of everyday living. Please refer to Section 3.3 for more detailed information on trends.

EU cosmetic and toiletry market
The EU cosmetic, toiletry and perfumery market increased in 2002 by 3.4 percent amounting to € 54.2 billion. Including the non-EU members, Norway and Switzerland, the European cosmetic and toiletry market

Figure 3.1 Growth of the cosmetic and toiletries market in Western Europe (%), 2000-2002
Retail sales prices

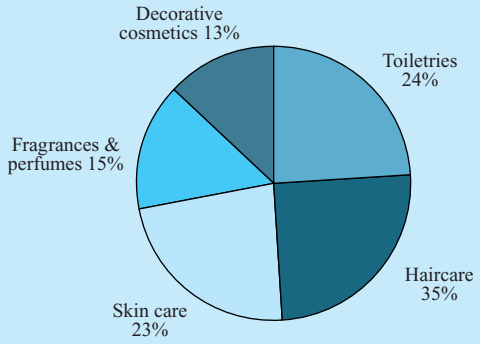


Source: Colipa (2003)

now totals € 56.7 billion. Germany, France, the UK, Italy and Spain are the leading markets. These five biggest national markets in Western Europe covered more than 80 percent of the total EU 15 cosmetic market. Of these leading EU markets, Spain showed the highest market increase (6.9%) in 2002, followed by France (5.3%) and the United Kingdom (4.5%). A decrease was seen by Germany, with 0.7 percent over 2002 (Colipa, 2003).
Toiletries are the leading product group within the retail sales of cosmetics and toiletries, followed by hair care, skin care, perfumes & fragrances and decorative cosmetics (see Figure 3.2).

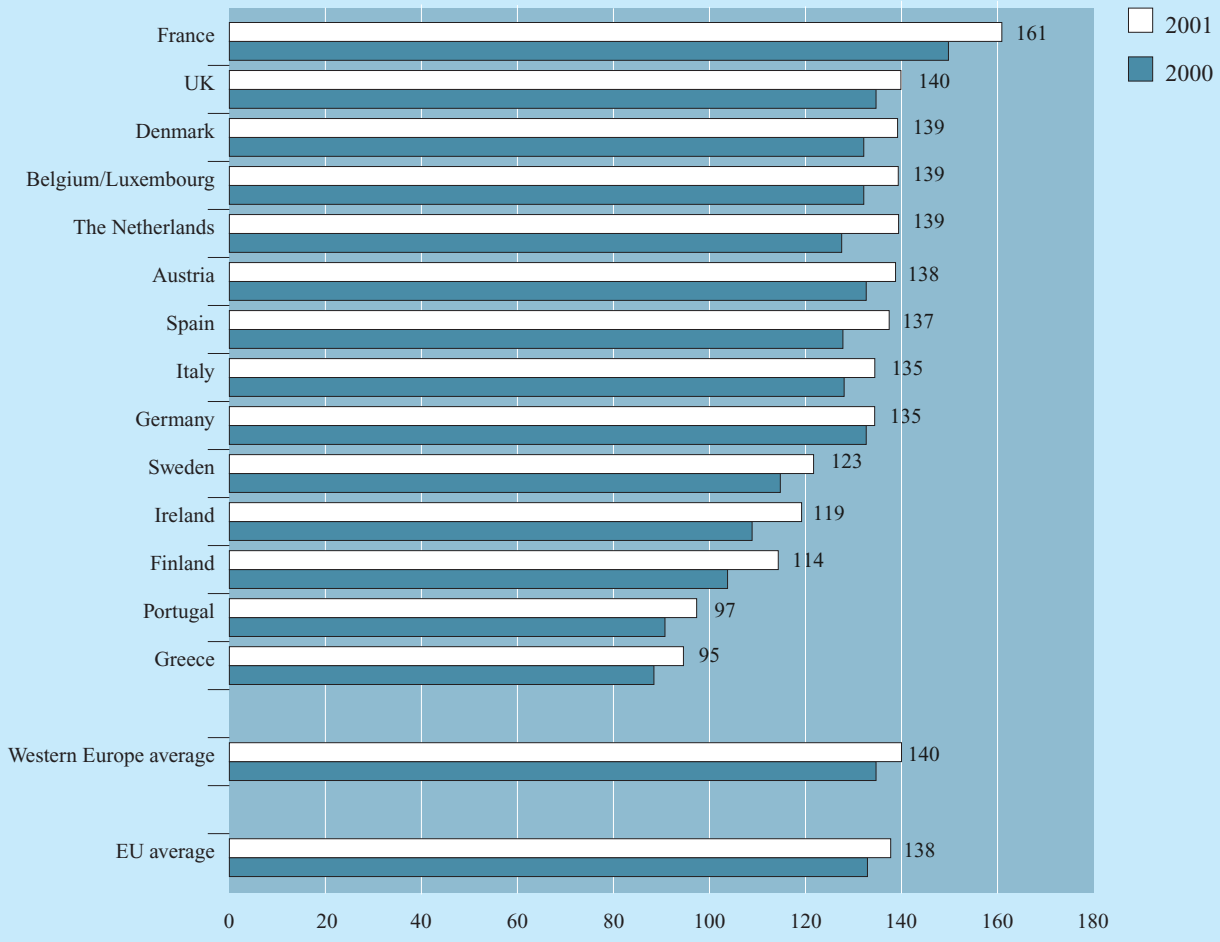
Compared to 2000, French people spent less on cosmetics and toiletries in 2001. However, France remained the leading country, where consumers relatively spent the most on these products.

Figure 3.2 European market share toiletries and cosmetics, 2001
% of total sales



Source: Netherlands Cosmetics Association (2003)

Figure 3.3 EU per capita consumption of cosmetics and toiletries, 2001
in €



Source: Netherlands Cosmetics Association (2003)

Green cosmetics

According to Retail Intelligence, the market for "green" cosmetics in Germany is growing by 10-20% annually. Whereas the market was until recently mainly in the hands of specialist vertical chains (e.g. The Body Shop and Yves Rocher), other suppliers are now moving towards mainstream retailers to target younger Germans more effectively. In Italy, pharmacies are selling more cosmetics. These tend to be higher priced and are markets using pseudo-clinical campaigns. A lack of consumer protection law in Italy makes it possible for claims to be made for cosmetics that would be illegal in many other countries. Another growth area is the erobisteria segment. These stores sell herbal remedies and have recently launched skin care and cosmetic ranges. The number of these stores has increased significantly during the last three years. In Spain, Antonio Puig is involved in pharmaceutical channels in a joint venture with the leading Spanish laboratory, Dr. Esteve, to produce a line of personal care products. In the United Kingdom, trends towards a natural look, towards lighter fragrances based on floral notes and towards scientifically-formulated skin care preparations are likely to continue (Retail Intelligence 2001). The report Consumer Goods Europe, Sector Review: Fragrances and Cosmetics, March 2001 by Retail Intelligence is available at the Business Centre of CBI.

Cosmeceuticals

In 1999, the leading EU markets for cosmeceuticals[2] in the EU were Germany (US$ 1.7 billion), France (US$ 1.1 billion), Italy (US$ 863 million), the United Kingdom (US$ 652 million), and Spain (US$ 568 million). The major growth markets were Germany (13.6%) and Spain (13.4%), followed by Italy (8.8%), UK (7.6%), and France (3.6%). Intense promotion by major manufacturers such as Beiersdorf and L'Oreal has led facial skin care to become the largest sector of the

Table 3.1 International Top 25 Cosmetics, Toiletries and Personal Care Companies, 1999-2000 retail sales in € million

Company	1999 Sales Performance	1999 Market Share (%)	2000 Sales Performance	2000 Market Share (%)
Procter and Gamble	3,742	10.4	4,507	10.4
L'Oreal USA	3,226	9.0	3,962	9.1
Unilever HPC	2,554	7.1	3,090	7.1
Estee Lauder	2,135	5.9	2,700	6.2
Gillette	1,743	4.8	2,075	4.8
Revlon	1,315	3.7	1,507	3.5
Colgate-Palmolive	1,136	3.2	1,373	3.2
Avon Products	1,056	2.9	1,302	3.0
Clinique Laboratories	1,018	2.8	1,278	2.9
Clairol Inc.	951	2.6	1,101	2.5
Warner-Lambert Consumer Healthcare	689	1.9	809	1.9
Johnson & Johnson Consumer Products	575	1.6	742	1.7
Neutrogena Corporation	345	1.0	523	1.2
Andrew Jergens	375	1.0	473	1.1
Dial	323	0.9	471	1.1
Mary Kay	365	1.0	442	1
Alberto-Culvero	325	0.9	404	0.9
Calvin Klein Cosmetics	325	0.9	376	0.9
Elizabeth Arden	252	0.7	295	0.7
Coty	207	0.6	254	0.6
Schering-Plough Healthcare Products	204	0.6	254	0.6
Block Drug	192	0.5	235	0.5
LVMH	183	0.5	227	0.5
Del Laboratories	189	0.5	211	0.5
SC Johnson and Son	160	0.4	207	0.5
Total	**23,584**	**65.4**	**28,817**	**66.4**

Source: Sauer, Pamela, "A Makeover for Personal Care and Cosmetics (Industry Trends)", Chemical Market Reporter, May 14, 2001.

[2] Cosmeceuticals are typical cosmetic-pharmaceutical hybrids intended to enhance the health and beauty of skin (www.cosmeceuticals.net).

market (accounting for a 46.1% of total sales in 12 major markets around the world).

The drive to develop cosmeceuticals is often strongest among companies that operate simultaneously in both cosmetics and the pharmaceutical field for whom research, development and marketing crossovers can be most effectively harnessed. Companies like Japan's Kanebo, Aventis of France and Germany's Henkel have major interests in both sectors, and they are perceived as leaders in this sector.

Herbals are gaining increasing popularity in the cosmeceutical industry. Please refer to Chapter 5 for herbals that are acquiring prominence.

If you visit www.cosmeticsbusiness.com under Cosmetics Market Research, you can purchase a series of twelve major reports on the world's largest manufacturers and marketers of cosmetics and toiletries products. However, you should be aware that the reports all together cost £ 2,500 (€ 3,581).

Natural cosmetic products

Natural personal-care products accounted for US$ 1.4 billion in the 1996 global personal-care market. By 1997, this figure had grown to US$ 2.8 billion. This market is growing rapidly, by an estimated average annual growth of 8-25 percent. In contrast, the mainstream, largely synthetic or petrochemical ingredient-based market segment of this industry on average increases by 3-10 percent.

The natural component is more significant in some product categories than others. In 1997, 38 percent of USA skin care products was labelled natural, 23 percent of the hair products, 12 percent of bath items though only 2 percent of cosmetics. There is a trend toward "wellness" in that ingredients include vitamins, vegetables and "comfort" food such as chocolate.

According to Ten Kate and Laird, the natural segment of the personal care and cosmetics industry is extremely difficult to characterise. The size and approach of the companies differ considerably. Many companies – small and large alike - include a tiny amount of botanical ingredients in their products primarily for marketing benefits, and with no intended contribution to the products' efficacy. Other companies, usually small to medium size, aim to use 100 percent natural ingredients in their products, replacing those of artificial or petrochemical origin. These companies operate under corporate policies prioritising naturalness, and sometimes wider environmental and social concerns.

The number of small and large companies entering the market of natural products is on the rise, and during the last few years there has been a massive entry into this arena by the large mainstream manufacturers.

Growth in the natural personal care and cosmetics market is global. For example, in South East Asia, several local manufacturers have successfully introduced new products with plant extracts like cucumber, apricot, ginseng, iris, and aloe, and are marketing brands in competition with overseas companies like the Body Shop.

The most important characteristics of the selected individual EU consumption markets for cosmetics and toiletries according to Euromonitor are listed below.

Germany

- In 2002, the German cosmetics and toiletries market stagnated due to cutbacks in consumer spending in the wake of the introduction of the euro, the economic downturn and the high unemployment rate.
- The resulting increased private label penetration and an increase in the number of promotions in 2002 reduced prices in most categories, but this also dampened value growth.
- Sun care showed the largest decrease, followed by fragrances, oral hygiene and colour cosmetics. Value was, however, added due to increased use of depilatories among women, and positive performances by male grooming, hair styling products and anti-agers.
- Consumers are still demanding natural ingredients in an effort to remain as young looking as possible. Anti-ageing and skin-firming products thus had another successful year. Products offering convenience and ease of application were also increasingly opted for in 2002. Examples include facial cleansing wipes, compact deodorants and fuss-free depilatories.
- Beiersdorf, L'Oréal and Schwarzkopf & Henkel are leading suppliers of cosmetics and toiletries with a combined share of over 30 percent. All three of the market leaders experienced share increases in 2002 due to the strength of their established brands and continued product innovation.
- Private labels also made further gains in 2002, due to increased consumer price consciousness in a time of recession and high unemployment. They increasingly rival the quality and sophistication of their branded counterparts.
- Germans are alert consumers, and will happily buy basic products that prove to be of the same quality as branded products, and mix and match them with their favoured brands when it comes to more sophisticated products.
- Almost half of cosmetics and toiletries products by value is sold in pharmacies and drugstores, with the four main players – Schlecker, Ihr Platz, DM and Rossmann – taking the lion's share. Grocery outlets come second, due to the convenience of one-stop shopping. Specialists – such as Douglas – and department stores are of importance mainly for premium products, and are following the general trend towards concentration and consolidation.

- Growth in the market is expected to slow down, indicative both of market maturity and increased consumer caution being exercised in a time of economic uncertainty. Industry experts anticipate that the economic downturn will continue until 2005.
- It is thus anticipated that private labels, especially those from the increasingly important drugstores, will gain in significance, as both their quality and lower prices continue to appeal. Growth is expected to come from so-called "specialised" products with anti-ageing properties and those, in accordance with the "wellness" trend, that combine beauty with care.

France

- The French cosmetics and toiletries market is reaching maturity, especially in product types such as shampoo, women's deodorants and perfume, demand for which is stable in volume terms. However, manufacturers' efforts to add value to their ranges through further segmentation and continued sophistication increased sales by 5 percent in value terms in 2002. The best performers were hair care, colour cosmetics, skin care and depilatories, which all enjoyed over 6 percent value growth in 2002. On the other hand, baby care and fragrances were the least dynamic in 2002, increasing by 2 percent and 1.8 percent respectively in value terms. This was due to the market already being highly developed.
- Skin care properties and aromatherapy continued to invade all cosmetics and toiletries. In addition to top brands and small family-based companies that previously dominated sales, well-established brands also clearly focused on those properties, thereby stimulating the mass market.
- The continued extension of skin care benefits into deodorants, body washes, colour cosmetics, men's grooming products and sun care further underpinned value growth. Similarly, anti-agers were introduced into many product types, including hair care, colour cosmetics, men's grooming products, skin care and sun care. Sales of cosmeceuticals are also continually increasing.
- The French cosmetics and toiletries market is characterised by a host of long established brands benefiting from large resources for research and development, as well as advertising and promotion. L'Oréal Groupe remained the major leader, accounting for 29 percent of overall value sales in 2002. Unilever – its closest rival – held a value share of just 6 percent in the same year.
- The French tradition for high quality in branded cosmetics and beauty products limits private label penetration, whose value share was estimated at only 3.2 percent in 2002. The fact that sales are led by a number of large companies, with heavy investments in advertising and frequent new product launches, tends limit private label expansion.
- The cosmetics and toiletries market is expected to continue to gain value. Apart from a few product types, such as men's grooming and depilatories, which are expected to experience higher penetration rates, volume sales are predicted to remain stable. Marketing activities will increase overall value sales through product innovation and further range and age segmentation.

UK

- In 2002, the cosmetics and toiletries market in the UK showed growth in value terms of 3 percent, despite the high development of some products. Growth was driven by a strong performance in colour cosmetics, skin care, bath and shower products and depilatories.
- Colour cosmetics and skin care both benefited from increasing quality within mass products, which drove up prices in both product types. For example, Procter & Gamble and L'Oréal launched skin care products with mass positioning, the retail prices of which pushed the boundaries of the mass price segment. Young women began to purchase relatively high value products such as nourishers/anti-agers at an increasingly early age, while their more mature counterparts sought more powerful products. These factors drove nourishers/anti-agers to increase by 8 percent in terms of value in 2002. This growth is expected to continue in the coming few years.
- In 2002, bath and shower products demonstrated growth of almost 10 percent in terms of value, driven by the performance of body wash/shower gel. British consumers upgraded their buying behaviour to these products from bar soap, attracted by claims of added moisturising benefits and a vast array of fragrances.
- Men – typically the primary buyers of bar soap – were also attracted to body wash/shower gel on the basis of convenience and persuasive marketing by Lever Fabergé, owners of the Lynx brand. Lynx saw its value share of body wash/shower gel sales increase from 6 percent to 7 percent between 2001 and 2002.
- Supermarkets and hypermarkets increased their offering of cosmetics and toiletries by launching private label ranges. Tesco and Sainsbury's both undertook major launches, with Tesco introducing its Finest skin care range, and Sainsbury's launching active: naturals, a range of hair care, skin care and bath and shower products.
- The active naturals line was positioned as a premium range of natural products. Meanwhile, Tesco looked to increase its retailer share through exclusivity agreements, most notably with Procter & Gamble, which agreed to give Tesco exclusive distribution rights to its Physique line of hair care products.
- Hair care benefited from substantial marketing expenditure by Lever Fabergé, which launched the Dove hair care range backed by promotional support worth £35 million (€ 50 million). Lever Fabergé further backed its Organics and Timotei brands with another £50 million (€ 72 million). Procter &

Gamble re-launched Pantene with £9 million (€ 13 million), and Alberto-Culver backed VO5 with £10 million (€ 14 million). Both Procter & Gamble and Alberto-Culver were eager to protect their brands from the Dove launch, which threatened to capture many of its consumers. Price was, however, a key weapon in pushing for brand share in a competitive environment, and supermarkets and hypermarkets were happy to apply price discounts to their key hair care ranges as they sought to increase their share of cosmetics and toiletries sales. Heavy price promotion took its toll on already mature sales, and hair care increased by only 0.9 percent in value terms.

Italy

- The Italian market for cosmetics and toiletries stagnated due to the introduction of the euro, which resulted in higher prices, and the bad shape of the economy determined a stagnant performance in cosmetics and toiletries in Italy in 2002.
- Cosmetics were particularly struck by the difficult economic conditions due to the importance of consumer confidence regarding sales of luxury products. A better performance was recorded by toiletries, which benefited from some favourable underlying trends.
- The growing importance of value for money drove a shift from premium to "upper mass" products; more convenient formats like sprays and wipes helped expand sales, especially in some toiletries; consumers increasingly sought gratification of their senses through cosmetics and toiletries; and boundaries between different product areas became less definite.
- The search for value for money, one of the major underlying trends in 2002, drove an important shift of consumers among different distribution formats. In fact, the less favourable economic environment heavily impacted sales of premium products in selective perfumeries.
- Conversely, the share of sales in the mass channel grew, also because behind the effort of mass players to manufacture "upper mass" products, increasingly closer to premium. Among premium products, pharmacy brands performed well, benefiting from the trust of consumers in this channel.
- The success of "upper mass" products in cosmetics was one of the factors of the good performance of L'Oréal, which maintained its leadership in 2002. Second player was Procter & Gamble, which also increased its share due to the good performances of its Pantene and AZ brands, in hair and oral care respectively. On the other hand, the market share of the third player Lever Fabergé recorded a slight decline, mostly due to the sale of its Atkinsons brand to Wella.
- Cosmetics and toiletries are forecast to grow during the 2002-2007. Growth is expected still to be hampered by the negative economic environment in 2003, while a recovery, in an optimistic scenario, is expected as from 2004. During the forecast period, value growth is expected to remain moderate, due to maturity in some toiletries and the shift towards mass products in cosmetics.

Spain

- Compared to the growth in 2001, the Spanish market for cosmetics and toiletries slowed down in 2002. The slowdown in growth rates was due to slower economic growth in Spain, the maturing of the market and less scope for innovative developments, especially in the case of mass-market brands, as well as the increasing pressure on prices by higher quality private labels.
- Men's grooming products, baby care, fragrances and hair care experienced the strongest growth rates in 2002. By contrast, colour cosmetics and bath and shower products showed the weakest performance in value terms.
- Two demographic factors influenced the performance of sales of cosmetics and toiletries in 2002. The first was the slowing Spanish birth rate, and the second was the ageing of the population. As the size of Spanish families decreases, parents are willing to spend more money on their children, shifting their demand towards added value products. This led companies such as Zara to launch their first ranges of baby care products in 2002.
- The ageing of the population, along with the increasing importance of image for Spaniards affected skin care value sales and innovation. This sector witnessed the arrival of pre-ageing products as well as more anti-agers.
- Whilst Spanish women account for the bulk of consumption of cosmetics and toiletries, a recent study carried out by L'Oréal revealed that younger males are changing their habits regarding such products. Evidence of the incipient change is the increasing number of products for men that were launched in the Spanish market in 2002. These were not only deodorants and aftershaves, the traditional products within men's grooming, but also bath and shower products, such as Axe and Adidas, and in skin care, with Hydrating Body Lotion from Carolina Herrera. Also the first anti-cellulite product for men appeared, Abdosculpt Vichy Hombre. Clarins launched its first men's range of products in 2002.
- As the market matures, companies will concentrate their efforts on exploiting the marginal consumption by men in some sectors, such as colour cosmetics and skin care.
- There is a trend across cosmetics and toiletries as a whole towards added value products. This is leading to the appearing of a "semi-premium" segment within the mass market. Semi-premium products

offer many of the features of standard premium products, but at a lower price.
- Consolidating the trend of previous years, self-service drugstores were one of the main drivers of value sales during 2002. These large-scale stores offer a wide range of premium products, usually positioned in eye-catching stands, where trained staff pay attention and offer advice to customers, who are generally willing to pay more if they find the appropriate foundation, fragrance or deodorant to meet their needs. Traditional perfumeries suffered from the increasing importance of multiple grocers, which offer lower prices for mass-market products and satisfy Spaniards' shopping habits better. Supermarkets and hypermarkets accounted for the largest share of sales in 2002.

The Netherlands

- The market continued to experience healthy growth in 2002, with sales expected to increase by 6 percent in value compared to the previous year. All cosmetics and toiletries showed positive growth, with value sales stimulated by the growing demand for value-added and more expensive products. Large increases in sales of depilatories and men's grooming products are due to the development of new products, expanding the low consumer base that previously existed.
- Netherlands consumers are willing to spend more on products that provide them with added value and are easy and effective in their use. Self-indulgence was another key factor pushing sales for these products, as the tendency to acquire products as a way of self-pampering was also evident in 2002. Manufacturers responded to this trend by providing more segmented products, able to supply different consumers' needs according to age and gender. This was the main characteristic driving new product development in bath and shower and hair care. In skin care and colour cosmetics, products that incorporate nourishing agents are rapidly gaining consumer preference. More mass-market products are also receiving product attributes in terms of image and packaging that are normally found on premium brands.
- The Netherlands has a low demographic level of babies compared to other Western European countries. However, demand for baby care products was impacted by the willingness to spend more per child. Baby care grew rapidly in 2002, with a wider choice of products in baby hair care, skin care and sun protection.
- Deodorant sales received a boost from the introduction of wipes, arriving to supplement traditional deodorant formats, and the rising popularity of compact spray deodorants. These products focused on the convenience, as they are easy to carry and allow consumers to refresh themselves several times during the day. Traditional deodorants were also stimulated by an increased focus on skin care, with a wider choice of formulas for different skin needs, such as sensitive or lasting effect.
- More attention was given to men in 2002 as manufacturers found, through consumer research, that Netherlands men are increasingly concerned about their personal image. Growth was positively impacted not only for traditional products such as shaving and deodorants but also for emerging skin care products. More attention was placed on product presentation, which was increasingly differentiated for men in terms of language and simple design.
- Netherlands consumers are increasingly aware of health issues. This creates demand for products that help them prevent disease, especially in oral hygiene. Demand for more expensive cavity-preventing toothbrushes raised the popularity of power toothbrushes, which are perceived to provide better cleaning. Manufacturers developed innovative child-specific products to develop sales. Currently, only 15 percent of children uses child-specific products.
- Government campaigns to prevent skin cancer helped to raise consumer attention on sun care products, with manufacturers and retailers offering an expansive range of formats for during and aftersun exposure. Netherlands consumers are taking more winter sports holidays, creating further growth in sales and reducing the seasonal nature of sun care products among retailers.
- Depilatories continued to witness a fast shift from traditional methods to female-specific razors and blades. New product introductions raised consumer awareness and Netherlands women found more products to meet their needs, eliminating the need to buy male-specific razors. Growth of razors and blades was at the expense of hair removers and bleaches, considered by many consumers to be unpleasant and less effective.

3.2 Market segmentation

The market for cosmetic ingredients can be divided into two main segments:

A Processing industry
1. Herbal extraction houses (extraction, evaporation, juicing, distillation, fermentation, purification, drying, blending, granulation, grinding)
2. Milling operation (cutting, sifting, powdering, blending, packing)
3. Essential oil distillers (associated with a herb farm or mobile distillation units)
4. Farms (cultivation, drying, milling, sieving, density adjustment, distillation, extraction, juicing)
5. Nut and seed oil producers (cold pressing,

expeller pressing, CO2 super critical extraction, de-fatting, esterification, hydrogenation, refining, transisomerisation)

6. Wholesale distributors with value-add capabilities (blending, milling, sieving, density adjustment, formulation, granulation, particle engineering, trituration, contract manufacturing)

B End-product manufacturers

1. *Natural cosmetic and cosmeceutical*
   - Bath products
   - Aromatherapy bath products
   - Bath milks and oils
   - Herbal baths (sacs, salts (with essential oils) or effervescent tablets)
   - Shower and bath gels
   - Soaps
2. *Beauty and personal care product manufacturers*
   - Decorative (eye and facial makeup, nail polishes, lipsticks, tattoos)
   - Deodorants
   - Oral care (chewing sticks with essential oil, dental floss with essential oil, mouthwashes, herbal tooth gel and toothpaste)
   - Skin care (skin conditioners, gels, lotions and creams, masks, massage oils, moisturizers, toners)
   - Shaving products (shaving cream, after-shave lotion)
   - Suntan and sunscreen products
3. *Hair care product manufacturers*
   - Hair coloring products
   - Hair growth products
   - Herbal shampoos, conditioners, oils, rinses
   - Styling gels
4. *Perfume and fragrance product manufacturers*
5. *Wound healing, injury, pain relief drug, cosmetic product manufacturers*
   - Herbal balms, distillates, gels, liniments, ointments, plasters, salves

The processing industry buys raw materials and processes them before selling them to the end-product manufacturers. Fragrance houses, for example, use essential oils to create fragrance formulae that are used in the production of perfumes. End-product manufacturers, like the perfume industry, produce the final products as they are found in the consumer market.

The market is also segmented according to type of ingredient such as essential oils, vegetable oils and plant extracts. There are buyers who are only interested in one type of ingredient, while others are active in the whole range of ingredients. Many of the EU importers have an Internet site, where interested parties can find more information on the field in which these importers are active.

For addresses of relevant organisations and importers, please refer to CBI's Internet Site. Please note that contact details of importers are only available for exporters in developing countries including in the Company Matching Database of CBI. However, the "linkplaza" (http://www.cbi.nl/show.php?file=linkplaza.html) provides relevant links to directories with addresses of importers.

3.3 Consumption patterns and trends

The market continued to benefit from growing global consumer concerns about health, a sense of well-being and looking good, thanks to burgeoning media focus on these issues. Men's grooming products have been a particular beneficiary of this. Interest in natural, spa-at-home and detox products and more natural ingredients being used such as plant extracts, herbs, vitamins and food ingredients has shown upward direction.

Principal market drivers
- Greater per capita expenditure in countries with highly developed markets
- Growing awareness of personal well-being
- Ageing and richer population
- Interests in natural ingredients
- Trading up to higher-priced, added-value products
- Product specialisation

Trends (largely based on ten Kate & Laird, 1999) that have an impact on the demand for natural personal-care and cosmetic products, and consequently the demand for cosmetic ingredients, are described below.

Consumer level

There is increasing consumer sophistication and interest in all things natural. Consumers are calling, across sectors, for healthier and more natural products. Increased consumer sophistication and awareness of ingredients, performance and health benefits are changing the personal-care and cosmetics industry. The trend is veering away from products that superficially enhance beauty but have no biological effect, to 'therapeutic' products so-called cosmeceuticals that might, for example, repair damaged tissues, smooth, protect from the sun, and moisturise. This has led to increased use of new, active ingredients, including natural products with defined constituents and specific biological effect.

Aromatherapy can be grouped under the trend towards 'therapeutic' products. Aromatherapy is the use of essential oils, obtained from plants, to promote balance and harmony between mind and body. It can be used in

a variety of different ways: massage, bath, shower, inhalation, burner, perfume, lotion etc. Next to aromatherapy, spa inspiration and traditional recipes of historical significance (e.g. Ayurveda) are important segments of the cosmeceutical market.

Forecasts for cosmeceuticals are positive. As increased studies occur about botanicals in skin care and clinical results are made available, certain active ingredients will remain and others will disappear. Moreover, lifestyle shopping trends, general public knowledge and extensive R&D budgets from mass manufacturers will positively affect cosmeceuticals.

As a result of an ageing EU population, the personal care and cosmetics industry is focused on a greater range of products for this population. However, not only older consumers are demanding multi-functional, therapeutical products that moisturise, provide UV protection, and are mild. The baby-boom generation's demand for hair colour to hide grey hair, for example, has resulted in rapid growth in this segment. Another recent development is the larger number of men using facial preparations and hand and body moisturisers.

Industry level
In many parts of the world, the personal-care and cosmetics market is crowded. Companies' market shares are likely to stagnate unless they reformulate their products to address the needs of niche markets, incorporate new ingredients, and heighten the performance of products.

Large multinational companies have recently entered the natural personal-care and cosmetics segment, which was long dominated by small, alternative manufacturing and marketing companies. Mass and prestige marketing companies and their large advertising budgets have entered the natural segment. Although many of these mass and prestige products contain small and sometimes insignificant amounts of natural ingredients, the message to consumers that 'natural is better' is gaining ground. Many manufacturers have moved their botanical story and related benefit claims to centre stage through branding and promotions.

The trend towards natural personal care products was also noticeable at the trade fair In-Cosmetics 2003, where plant-based cosmetic raw materials were predominant among the new products on offer.

Research and product level
The research trend for skin care products is moving toward the development of highly refined raw materials of natural origin with defined constituents imparting a specific biological effect to benefit healthy skin (Anderson, 1996). Significant new growth ingredients include enzymes, antioxidants, vitamins A, C and E, marine organisms, and botanicals (ten Kate & Laird, 1999). Food is also an important source of raw materials and ideas for the personal care industry.

Classes of natural products of interest to product development teams mentioned by Iwu (ten Kate & Laird, 1999) include: bio-saponins (steroids and triterpenoids); flavonoids; amino acids, non-protein biocomplexes; proteins and phytoamins; anti-oxidants; alpha- and beta-hydroxy acids; formulation acids; formulation aides; and vitamins. Many natural products contain ingredients which yield these compounds, including green tea, marigold, camomile, ginger, rosemary and aloe.

A number of the new botanical ingredients in personal-care and cosmetics products are drawn from their traditional use as medicines, and subsequent incorporation into the botanical medicine industry. Plant extracts are now increasingly used in cosmetic products. The commercial applications for many other natural personal-care ingredients, like cohune oil from Guatemala, do not emerge directly from traditional use. Cohune oil is used locally as a cooking oil and prior to its commercial development by Conservation International and Croda Inc was not found in use for personal care. Croda has recently stopped using cohune oil and is now using cheaper ingredients. Botanical raw material is supplied to the personal-care and cosmetics industry through the same channels as those supplying the botanical medicine industry (ten Kate & Laird, 1999).

With respect to the product group essential oils, there is a trend to use fractionates instead of the oils themselves. Essential oils generally contain many substances. If the substance required for the end-product exceeds 70/80 percent of the contents of the oil, then the oil itself will generally be used. Otherwise, users want the fractionate (natural aromatic chemicals) which gives the particular smell. For example, citral from litsea cubeba, or vetiver acetate from vetiver oil. The perfume and flavour industry is mostly involved in the extraction of high-value essential oils, or for extraction where specific technology is required. The industry has often invested in extraction of plants in the production areas, by establishing agreements with local partners

IN-COSMETICS Trends Presentations 2003
The IN-COSMETICS Trends Presentations took place in April 2003. At the event, the inclusion of natural ingredients was highlighted as an on-going marketing tool, due to the widely held consumer perception of natural ingredients as being inherently beneficial. Most consumers understand ingredients such as green tea, but there is a need to educate consumers about the newer ingredients.

The term 'natural' is changing very quickly. There is a clear understanding of mind, body and spirit. The term has expanded to incorporate new themes such as natural and luxurious, natural and indulgent, natural and cool, hip and contemporary, natural and healthy living/eating.

The main developments observable in In-Cosmetics are similar to those going on in the pharmaceutical ingredients sector. They are supported by recent changes in EU legislation, affecting three aspects of the business. First, product types are changing. The changes include standardisation, single-plant preparations, and a growing role for extracts. Quality control is a second area undergoing changes. These include rising documentation demands, various good practices and the issue of the use of GMOs in Biotechnology. Sourcing, thirdly, is also changing. Changes here include the trend towards organically certified ingredients, direct involvement in sourcing, wild collection & cultivation, and the interest in direct sourcing for new product development.

In-cosmetics is an important forum for the latest trends within the cosmetics and toiletry industry. Seminars provided exhibitors with detailed information on products and services exhibited at the show. The first day of trends presentations focused on the future of organically certified health and beauty products, and the challenges for the whole supply chain management of natural ingredients. A highlight for the CBI's participants was the "Crodamazon oils – Natural Beauty Solutions", which is spearheading the development of fatty oils from the Amazon region as cosmetic ingredients. The new developments of "Centella asiatica, Laboratoires Roche Nicolas" and of "Moringa oleifera: an interesting source of active ingredients for skin and hair care, Laboratories Serobiologique" demonstrated the need for, and the market interest in, the development of new products and applications from lesser-known plant species.

Opportunities for developing countries

Considering the demand for cosmetic products, the market for natural ingredients for cosmetics will provide exporters in developing countries with opportunities. Chapters 4 and 5 will deal with opportunities in the different market segments.

As is clear from this Chapter, to add more value to commodities such as essential or fatty oils, they could be marketed as organic products. Marketing ingredients as organic may also be interesting in the case that producers can only supply small quantities of natural ingredients. Smaller quantities can be more easily marketed in the organic market than in the regular market, where large quantities are required by traders. Some natural ingredients, such as coconut oil, are commodities traded in large volumes. Countries like the Philippines, Indonesia and India have established their production and sales channels. However, there is also a number of countries with small production of coconut oil, such as Ecuador and El Salvador. It may be difficult for these countries to enter the regular market, as large quantities are required by traders. The organic market is an interesting niche market for these suppliers, as quantities required for the organic market are smaller than in the conventional market. Germany is the leading EU market for organic products and hosts the annual trade fair BioFach. This fair has a special hall for cosmetics. An example of a company offering only organic essential oils can be found at the Internet site www.organicherbtrading.com. Requirements for organic products can be found in the EU Regulations EEC 2092/91 and EC 1804/1999, or contact Skal (see Appendix 2.6).

A new development, besides organic certification, is certification based on criteria and principles of the Forest Stewardship Council. In 2001, a Brazilian company earned FSC certification for 80 thousand ha of native forest, where extraction of raw materials for producing medicines and cosmetics takes place.

Major important elements affecting new product development in skin care and cosmetics are:

- **Products for ageing consumers**: the claims for skin tightening cosmetics and skincare to reduce wrinkles and fine lines are becoming more overt on the packaging, but are better supported by scientific bases.
- **Products for on-the-go**: this is a huge trend in food as well as non-food. In cosmetics, there has been an increase in portable, single use and mono dose products (e.g. Bourjois Powder Brush, Lorac Bronzed Portable Paints, Prada's mono dose skincare products with travel bag).
- **Products that communicate science to the consumers**: consumers are more aware and interested in what is used as ingredients in a product.
- **Products with natural ingredients**: natural ingredients symbolise pureness and this is usually reflected in packaging which is white, blue or clear.
- **Crossover products**: These include products which have a number of benefits such as colour cosmetics with skin-tightening properties and tinted moisturers.

Considering the above-mentioned product development, developing countries could respond to these trends and find their opportunities in these areas.

4 PRODUCTION

Although production by European countries of natural ingredients is reported, these data must be interpreted and used with caution. Many of the natural ingredients used in the cosmetic industry come from developing countries, are further processed and re-exported to buyers in Europe. For example, Germany is listed as a leading EU producer of coconut oil. This production, however, concerns processing of raw materials.

Vegetable oils
EU production of vegetable oils and fats was stable between 2000 and 2002, amounting to 11 million tonnes in the latter year (FAO, 2003). The EU accounted for 11 percent of global production. The leading EU producer was Germany, accounting for 26% of EU production, followed by Spain (17%), France (12%), The Netherlands (11%), Italy (10%) and UK (7%).

In 2002, EU production of coconut oil amounted to 52 thousand tonnes, representing less than 2 percent of global production. The leading EU producer was Germany, accounting for 32 percent of EU production.

Between 2000 and 2002, EU production of peanut oil increased by almost 60 percent, reaching 75 thousand tonnes in the latter year (FAO, 2003). The leading EU producer was The Netherlands, accounting for 83 percent of EU production.

Essential oils
According to FAO, world production of essential oils is estimated at 24 million tonnes. Developing countries have a dominant position in the global production, of which they account for 82 percent. The competition with industrialised countries and countries from Eastern Europe, however, remains very strong. Industrialised countries remain in a dominant position where high yields and full mechanisation make cultivation competitive with countries which rely on low labour costs.

In Europe, there are around 2,000 plants from which essential oils are produced. Lavender and peppermint are among the most popular. Production is particularly successful in the Mediterranean countries of Turkey, Spain, France and Italy.

On a global scale, the 18 most important species represent nearly 75 percent of the total production value. The concentration in terms of tonnage is even higher, as there is a trade in small volumes of products with high unit values (e.g. rose, jasmine, vetiver).

Table 4.1 Production of essential oils, 2000-2002
1,000 tonnes

	2000	2001	2002
World	25,879	28,992	23,941
Developing countries	21,529	24,582	19,587
European Union	210	270	214

Source: FAO (2003)

Table 4.2 Estimates of world production of essential oils

Value > US$ 10 million			
Peppermint	Orange	Sandalwood	Cedarwood
Cornmint	Litsea cubeba	Citronella	Lime
Rose	Eucalyptus globulus	Vetiver	Bergamot
Spearmint	Jasmine	Patchouli	Geranium
Lemon		Lavandin	
Value > US$ 1 million			
Coriander	Sassafras	Fennel	Basil
Lavender	Star anise	Marjoram	Cedar leaf
Ylang ylang	Nutmeg	Cinnamon bark	Pimento leaf
Clove leaf	Tangerine	Sage Camphor	Cananga
Bois de rose	Cascarilla	Celery	Garlic
Anise seed	Lemongrass	Onion	Juniper
Petitgrain	Neroli	Copaiba	Amyris
Camomile	Eucalyptus citriodora	Clove	Lovage
Calry sage	Roman camomile	Grapefruit	Thyme
Mandarin	Dill	Olibanum	Bitter orange
Cinnamon	Ginger	Tarragon	Tea tree
Rosemary	Palmarosa		Pine
Value > US$ 100 thousand			
Calamus	Parsley	Laurel leaf	Bergamot mint
Cumin	Peru balsam	Pimento bay	Ho
Artemisia sp.	Cajeput	Carrot	Hyssop
Valerian	Angelica	Caraway	Tagete
Spike lavender	Cardamom	Cypress	Spanish sage
Styrax	Gaïac	Myrtle	Elemi
Bay	Oregano	Cabreuva	Pennyroyal
Birch tar	Fir	Buchu	Myrrh
Pepper	Hop	Galbanum	Rue
Davana	Parsley herb		

Source: Verlet, 1995

Plant extracts
The EU is a leading producer of plant extracts. Big extract producers such as Finzelberg, Spreewald, General Extract Products and Gehrlicher are located in Germany. Other leading producers are Indena and Hammer Pharma in Italy.

Medicinal and aromatic plants
Medicinal and aromatic plant material is obtained both from plants growing in the wild and from cultivated stock. Collection from the wild still plays a vital role in the use of, and trade in, medicinal and aromatic plant material in Europe, since cultivation has not proved to be profitable for the majority of the plants traded. This is because: many plants are difficult to cultivate; many are required in small quantities; the quality of some wild-harvested material is supposed superior; the costs associated with obtaining plant material from the wild are relatively low.

Lange (1998) estimates that about 2,000 medicinal and aromatic plant species are used on a commercial basis in Europe, of which two thirds are native to Europe. In the EU, medicinal and aromatic plants are cultivated on an estimated 70,000 ha. Leading species are: lavender (Lavandula spp.), Opium Poppy (Papaver somniferum), Caraway (Carum carvi) and Fennel (Foeniculum vulgare). France and Spain are EU countries which

have many hectares under cultivation. However, in Spain wild-harvesting and cultivation of medicinal and aromatic plants has declined. There is some cultivation in Germany, where leading producers of botanical medicines have their own plantations for popular products. Finzelberg, for example, cultivates St. John's Wort and Echinacea in Germany. The area under cultivation, however, is small as cultivation in Eastern European countries is much cheaper.
Eastern European countries such as Bulgaria, Hungary and Albania are major EU suppliers of material from medicinal and aromatic plants.

The enlargement of the EU could be a threat to developing countries, but could also be considered as an opportunity. More information can be found in Section 5.3.

Natural colours
The number of colorants and dyestuffs found in nature are enormous, but only some of these products are commercially important. EU production figures for natural colours are not available. EU trade data show that France and Germany are the leading suppliers to the EU market. However, in the FAO publication Natural colorants and dyestuffs, which includes an overview of major colorants and dyestuffs entering international trade, no significant production in European countries is reported, except for paprika from Spain and Hungary. This colorant, however, is mainly used in food products.

Seaweed & other algae
EU production figures for seaweed & other algae are not available. Trade data show that the leading EU countries supplying the EU market are France, Ireland and The Netherlands.

Opportunities for developing countries

Also dealt with in the next Chapter, the following products provide opportunities for exporters in developing countries:
- Coconut oil and cocoa butter:
- Castor oil
- Sweet almond oil
- Shea butter
- Illipe butter
- Amazon oils and butter

Coconut oil
Coconut or its fatty acids are used in soaps because of its quick foaming properties. A cut of the coconut fatty acids of C12-C14 is a natural basic material for synthetic surfucants. Coconut oil is also used in the chemically manufactured Cocamide DEA (Synonyms: Coconut diethanolamide, coconut oil diethanolamine). This product is an excellent stabiliser and viscosity builder/modifier for shampoos, hand soaps and bath products.

Leading producers in developing countries were Philippines (1 million tonnes), Indonesia (900 thousand tonnes), India (460 thousand tonnes), Viet Nam (149 thousand tonnes), Mexico (109 thousand tonnes) and Sri Lanka (64 thousand tonnes).

Castor oil
In 2002, India and China were the leading developing country producers, with production amounted to 266 thousand and 157 thousand tonnes respectively. Other major producers were Brazil (37 thousand tonnes), Ethiopia (7 thousand tonnes), Thailand (6 thousand tonnes), Paraguay (5 thousand tonnes), South Africa (2 thousand tonnes), the Philippines (2 thousand tonnes) and Ecuador (2 thousand tonnes).

Sweet almond oil
In 2001, the top 5 producers in developing countries were Iran (87 thousand tonnes), Morocco (65 thousand tonnes), Tunisia (60 thousand tonnes), Syria (49 thousand tonnes) and Turkey (45 thousand tonnes). Other important producers were Lebanon, Pakistan, Libya, Algeria and China.

Shea butter
Shea nuts, from which the butter is made, are grown in West African countries. The two main varieties are Vitellaria paradox and Vitellaria niloticia. The latter has a superior quality and is preferred by cosmetic companies. This variety is primarily grown and processed in northern Uganda and southern Sudan. However, as civil unrest abounds in these regions the variety is generally not available on the market (FAO 2001). Several other countries, including Israel and Germany, have attempted to replicate this variety without success.

For a long time, shea butter was formulated only as a marketing attraction, but it is now also recognised as a true active ingredient with proven benefits. Shea butter is recommended for many cosmetic products: skin care (up to 15%), sun care (up to 25%), lipsticks (from 5 %), cosmetic powders (up to 3%), ethnic and athletic products/body butters (may be used pure), soaps bar (up to 10%), bath and shower products (up to 2%), hair care (up to 3%).

The leading producers in developing countries were Nigeria, Mali, Burkina Faso and Ivory Coast.

Illipe butter
Illipe is a tree growing in the rain forests of Borneo, Indonesia. Indigenous people have always used illipe butter for medicinal, food or cosmetic purposes. Like all vegetable fats, illipe butter has soothing, anti-drying and protective properties. Illipe butter is a first-choice ingredient in: nourishing night creams; sun products; hair masks and lip balms.

5 IMPORTS

5.1 Total imports

The European Union market

In view of the trade data presented below, the information included in Section 3.1 and the main players in the European market, the leading EU markets for natural cosmetic ingredients are Germany, France, the United Kingdom and Italy. At the level of product groups, however, there can be other countries which are important markets. Spain, for example, is a leading market for colouring matter of vegetable or animal origin. The Netherlands is a leading importer of vegetable oils, but not so much of oils destined for the cosmetic industry.

Table 5.1 shows EU imports of the main groups into which the natural ingredients for cosmetics fall. However, not all of the products falling in these groups are used for the production of cosmetic products. Therefore, it is not particularly worthwhile to add up the import figures for the respective product groups with a view to obtaining an overall figure of imports of natural cosmetic ingredients. For more information on ingredients used in food product and in pharmaceuticals, please refer to CBI's EU Market Surveys "Food Ingredients for Industrial Use" and "Natural Ingredients for Pharmaceuticals."

Germany

Despite decreases in the imports of vegetable oils, fats & waxes and raw plant material between 1999 and 2001, Germany maintained its dominant position in the overall imports of the following product groups falling under natural ingredients for cosmetics:

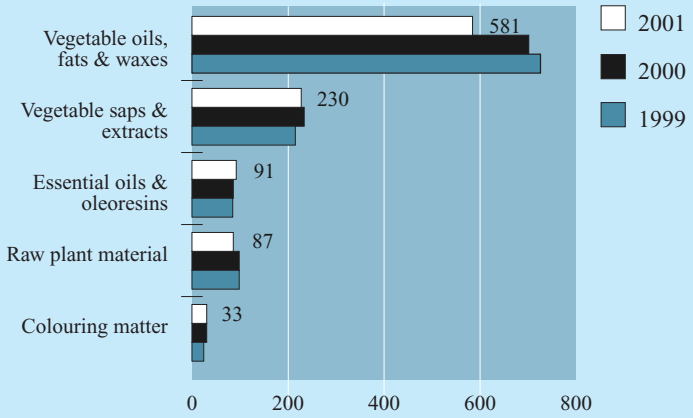
- Vegetable oils, fats & waxes,
- Vegetable saps & extracts,
- Raw plant material,
- Colouring matter.

Table 5.1 Imports by EU member countries of selected product groups falling under natural ingredients for cosmetics, 1999-2001
€ thousand / tonnes

	1999		2000		2001	
	value	volume	value	volume	value	volume
Vegetable (& animal) derived oils, fats & waxes	2,866	2,766	2,669	3,012	2,322	2,992
Intra-EU	1,587	1,309	1,364	1,323	1,266	1,253
Extra-EU	1,279	1,457	1,305	1,690	1,056	1,739
Vegetable saps & extracts	948	224	986	237	964	235
Intra-EU	554	84	518	82	497	79
Extra-EU	394	140	468	155	467	156
Essential oils & oleoresins	550	62	587	62	613	67
Intra-EU	210	18	222	20	211	17
Extra-EU	340	44	365	42	402	50
Raw plant material	378	177	410	180	390	182
Intra-EU	117	37	132	40	115	42
Extra-EU	261	140	279	140	274	140
Colouring matter of vegetable or animal origin	136	18	170	22	170	21
Intra-EU	87	12	100	14	96	13
Extra-EU	49	6	70	7	74	8

Source: Eurostat (2002)

Figure 5.1 Imports of natural ingredients for cosmetics into Germany, 1999-2001
€ million



Source: Eurostat (2002)

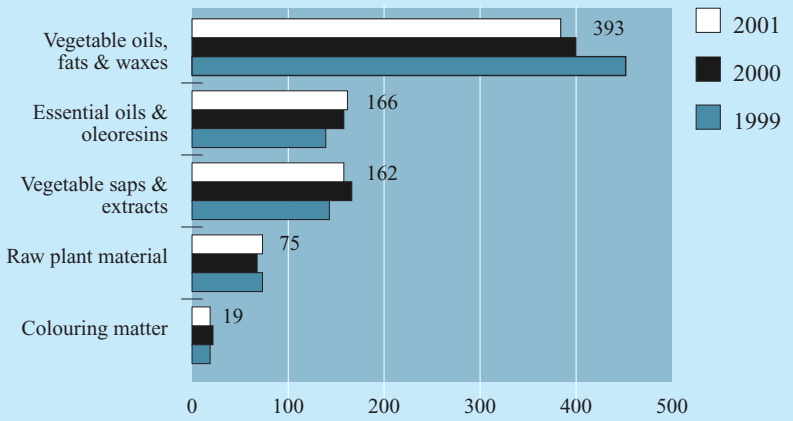
Leading suppliers of ingredients for cosmetics to Germany (share in imported value, 2001)

Vegetable oils, fats & waxes	→	The Netherlands (40%), Indonesia (17%), Philippines (14%), Belgium (6%)
Vegetable saps & extracts	→	India (11%), Denmark (11%), France (9%), Ireland (9%), Switzerland (9%)
Essential oils & oleoresins	→	France (20%), USA (12%), China (9%), India (8%), Italy (6%)
Raw plant material	→	USA (8%), Poland (7%), Bulgaria (7%), China (7%), Chile (6%), Egypt (5%)
Colouring matter	→	The Netherlands (19 %), Spain (15%), Peru (12%), India (8%), France (6%)

France

France has the leading position in the imports of essential oils & oleoresins, with imports (in terms of value) increasing between 1999 and 2001. During the same period, French imports of vegetable oils, fats & waxes decreased considerably in terms of value.

Figure 5.2 Imports of natural ingredients for cosmetics into France, 1999-2001
€ million



Source: Eurostat (2002)

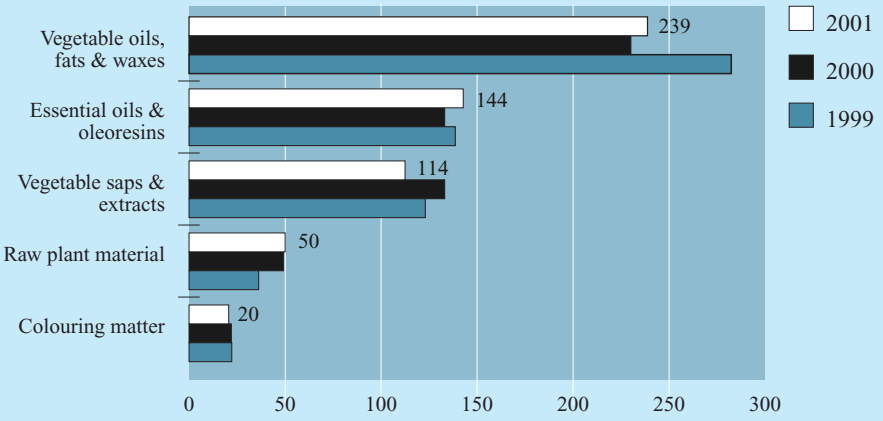
Leading suppliers of ingredients for cosmetics to France (share in imported value, 2001)

Vegetable oils, fats & waxes	→	The Netherlands (15%), India (15%), Belgium (13%), Côte d'Ivoire (13%)
Vegetable saps & extracts	→	Italy (14%), Germany (11%), Morocco (8%), Sudan (7%), USA (6%)
Essential oils & oleoresins	→	Ireland (11%), India (9%), USA (8%), Indonesia (7%), China (7%), Morocco (6%)
Raw plant material	→	Spain (12%), Germany (8%), Italy (8%), Philippines (8%), Morocco (6%)
Colouring matter	→	Spain (18%), Denmark (12%), Germany (12%), Switzerland (10%), UK (9%)

United Kingdom

The United Kingdom is the second leading EU importer of essential oils & oleoresins after France. The imports of vegetable oils, fats & waxes decreased considerably since 1999, while the imports of raw plant material showed a continuous increase.

Figure 5.3 Imports of natural ingredients for cosmetics into the UK, 1999-2001
€ million



Source: Eurostat (2002)

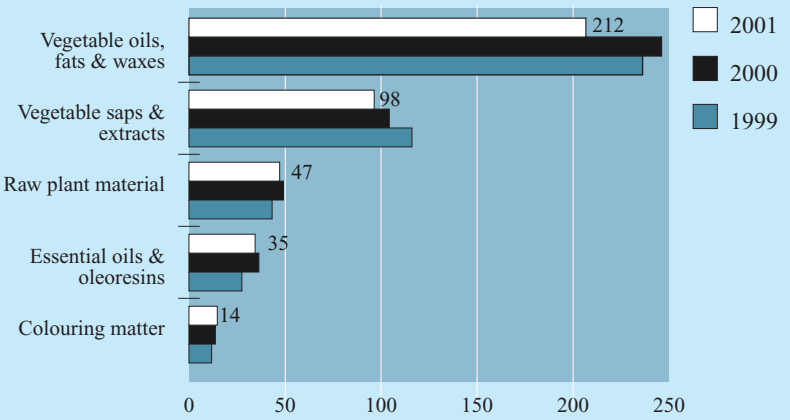
Leading suppliers of ingredients for cosmetics to the UK (share in imported value, 2001)

Vegetable oils, fats & waxes	→	The Netherlands (37%), Germany (9%), USA (8%), Indonesia (8%), Denmark (7%)
Vegetable saps & extracts	→	USA (17%), Spain (14%), France (12%), India (8%), Philippines (6%)
Essential oils & oleoresins	→	USA (31%), China (11%), France (11%), Argentina (10%), India (6%)
Raw plant material	→	USA (29%), Germany (12%), France (6%), Belgium (6%), India (5%), China (5%)
Colouring matter	→	France (30%), Peru (9%), India (8%), Germany (8%), USA (7%), Ireland (7%)

Italy

Italy is a leading EU importer of vegetable saps & extracts and of raw plant material. Between 1999 and 2001, Italian imports of vegetable oils, fats & waxes and of vegetable saps & extracts decreased in terms of value. The imports in 2001 of the other product groups showed a small increase compared to 1999.

Figure 5.4 Imports of natural ingredients for cosmetics into Italy, 1999-2001
€ million



Source: Eurostat (2002)

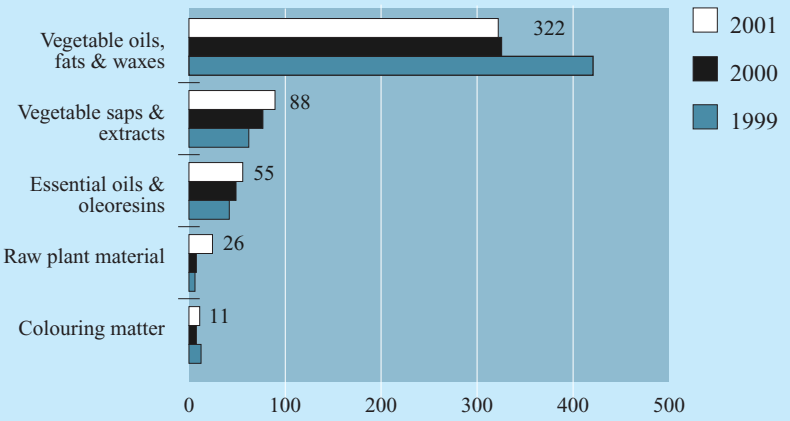
Leading suppliers of ingredients for cosmetics to Italy (share in imported value, 2001)

Vegetable oils, fats & waxes	→	USA (15%), The Netherlands (15%), Senegal (14%), France (11%)
Vegetable saps & extracts	→	France (31%), Germany (12%), India (9%), Denmark (7%), Spain (6%)
Essential oils & oleoresins	→	UK (26%), France (20%), China (12%), USA (6%), The Netherlands (6%)
Raw plant material	→	France (16%), USA (13%), China (13%), India (8%), Germany (8%)
Colouring matter	→	Spain (27%), Peru (23%), France (13%), UK (11%), The Netherlands (10%)

The Netherlands

The Netherlands is a leading importer of vegetable oils, fats & waxes, although it should be mentioned that not so much of the oils are destined for the cosmetic industry, but re-exported to other EU member countries. Netherlands imports of this product group decreased in terms of value since 1999, while imports of vegetable saps & extracts, essential oils & oleoresins and raw plant material witnessed continuous increase between 1999 and 2001.

Figure 5.5 Imports of natural ingredients for cosmetics into The Netherlands, 1999-2001
€ million



Source: Eurostat (2002)

Leading suppliers of ingredients for cosmetics to The Netherlands (share in imported value, 2001)

Vegetable oils, fats & waxes	→	Philippines (20%), Indonesia (19%), Germany (11%), Malaysia (9%), Côte d'Ivoire (7%)
Vegetable saps & extracts	→	USA (24%), Germany (14%), France (9%), Belgium (7%), Portugal (6%), Chile (4%)
Essential oils & oleoresins	→	USA (20%), Brazil (16%), Spain (8%), UK (7%), France (7%), Germany (7%)
Raw plant material	→	Kenya (27%), Israel (12%), USA (11%), Germany (8%), India (6%), Japan (6%)
Colouring matter	→	Israel (20%), Germany (19%), Denmark (12%), UK (11%), Spain (8%), France (5%)

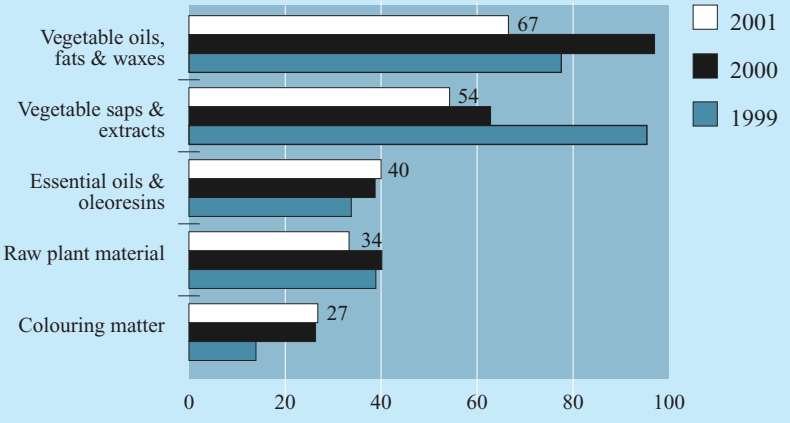
Spain

Spain is the second leading EU importer for colouring matter of vegetable or animal origin after Germany. Most noticeable about Figure 5.6 are the fluctuations in the imports of vegetable oils, fats & waxes and vegetable saps & extracts between 1999 and 2001. Essential oils & oleoresins and colouring matter are the only product groups which showed continuous increases during this period.

Leading suppliers of ingredients for cosmetics to Spain (share in EU imports in terms of value, 2001)

Vegetable oils, fats & waxes	→	Indonesia (39%), Germany (9%), The Netherlands (8%), India (8%), USA (7%)
Vegetable saps & extracts	→	France (28%), Germany (14%), Denmark (12%), Switzerland (11%), Italy (6%)
Essential oils & oleoresins	→	China (24%), France (13%), USA (13%), India (11%), Brazil (5%), Indonesia (4%)
Raw plant material	→	Germany (12%), France (11%), Morocco (11%), Indonesia (9%), Philippines (8%)
Colouring matter	→	India (35%), Mexico (24%), France (7%), China (5%), Peru (5%), USA (5%)

Figure 5.6 Imports of natural ingredients for cosmetics into Spain, 1999-2001
€ million



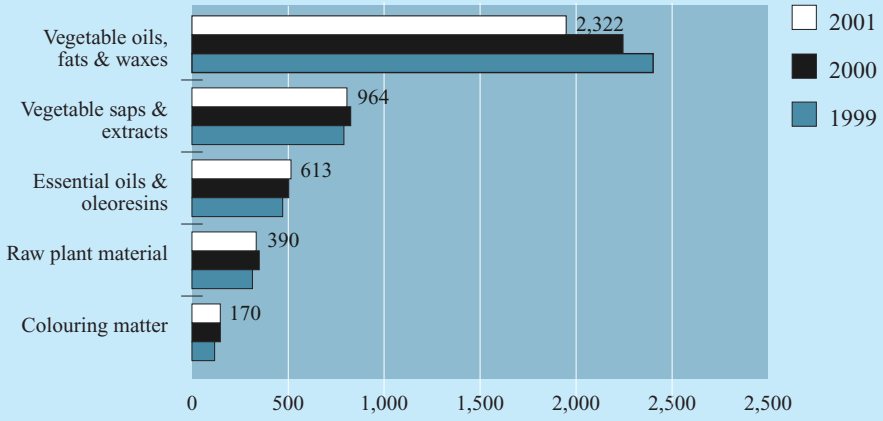
Source: Eurostat (2002)

5.2 Imports by product group

The following section describes EU imports and developments, over the last three years, of products which are interesting for developing countries, falling under the broad-based product groups indicated in Section 1.1. Please refer to Appendix 1 for detailed trade data for these product groups.

Most remarkable about Figure 5.7 is that the imported value of vegetable oils, fats & waxes decreased considerably between 1999 and 2001, while the other product groups remained fairly stable.

Figure 5.7 Imports of natural ingredients for cosmetics by EU member countries, 1999-2001
€ million



Source: Eurostat (2002)

Vegetable (and animal) derived oils, fats and waxes
Total import of vegetable and animal derived oils, fats and waxes by EU member countries amounted to € 2.3 billion in 2001, representing a decrease by almost 20 percent since 1999. In terms of volume, imports increased by about 8 percent, reaching 3 million tonnes in 2001. The decrease in the total value was mostly the result of falling imports of cocoa butter, fat & oil, coconut oil and peanut oil during the survey period (1999-2001).

Table 5.2 Imports by EU member countries of vegetable (and animal) derived oils, fats and waxes, by product group, 1999-2001
€ million /1,000 tonnes

	1999		2000		2001	
	value	volume	value	volume	value	volume
Total	2,866	2,766	2,669	3,012	2,322	2,992
Intra-EU	1,587	1,309	1,364	1,323	1,266	1,253
Extra-EU	1,279	1,457	1,305	1,690	1,056	1,739
Cocoa butter, fat & oil	945	290	729	280	719	300
Coconut oil	839	1,214	772	1,287	559	1,384
Fixed vegetable fats & oils	477	508	531	600	470	585
Animal or vegetable fats & oils	413	548	442	655	405	559
Peanut oil	152	193	151	177	124	152
Waxes	40	12	45	13	45	12

Source: Eurostat (2002)

Countries outside the EU, mostly represented by developing countries, supplied nearly half of the total imported value of vegetable and animal derived oil, fats & waxes.

Leading EU importers and suppliers of selected vegetable oils, fats & waxes (share in EU imports, value 2001)

Coconut oil	EU importers	Germany (37%), The Netherlands (24%), Italy (7%), UK (7%), Belgium (6%),
	Suppliers	Indonesia (39%), Philippines (32%), The Netherlands (10%), Malaysia (7%)
Cocoa butter,	EU importers	Germany (29%), Belgium (18%), France (17%), UK (13%), The Netherlands (11%)
fat & oil	Suppliers	The Netherlands (52%), France (13%), Côte d'Ivoire (11%), Ghana (4%)
Castor oil	EU importers	France (53%), Germany (17%), The Netherlands (12%), Italy (6%), Spain (3%)
	Suppliers	India (78%), Brazil (7%), Germany (5%), The Netherlands (4%), China (2%)
Peanut oil	EU importers	France (39%), Italy (30%), Germany (12%), Belgium (8%), The Netherlands (5%)
	Suppliers	Senegal (58%), Belgium (16%), Argentina (5%), France (5%), Sudan (5%)
Waxes	EU importers	Germany (30%), France (18%), Italy (10%), UK (10%), The Netherlands (8%)
	Suppliers	Brazil (22%), China (15%), Germany (11%), The Netherlands (8%), UK (7%)

Opportunities for developing countries

From the tables above, the main market for vegetable oils are Germany, Italy, France and the UK. Interesting companies include Jan Dekker International, Alban Muller International and H. Lamotte.

Based on discussions with experts in the field of international marketing and trade promotion of cosmetic ingredients and information from trade journals, the following products provide opportunities for exporters in developing countries:

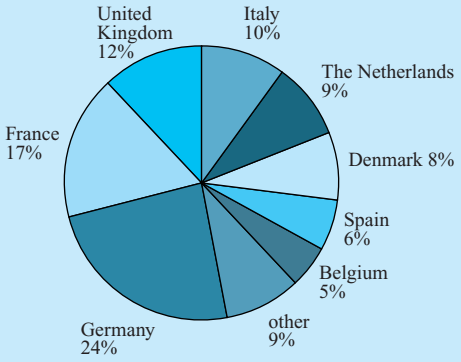
- Coconut oil and cocoa butter
- Castor oil
- Sweet almond oil
- Shea butter
- Illipe butter
- Amazon oils and butters

For more information, please also refer to Chapter 4.

Vegetable saps and extracts

Between 1999 and 2001, imports of vegetable saps & extracts by EU member countries remained more or less stable, amounting to € 964 million / 235 thousand tonnes in 2001. Germany was the leading EU importer, accounting for a quarter of the imported value. There are a number of commodity houses in Hamburg which are active in the trade of these products. Most remarkable is the decrease of more than 40 percent in Spanish imports and the increase of 30 percent and more in Netherlands and Danish imports of vegetable saps & extracts.

Figure 5.8 Leading EU importers of vegetable saps and extracts, 2001
% of total EU import (in value)



Source: Eurostat (2002)

About half of the imported value was sourced outside the EU, of which almost 60 percent from developing countries. Between 1999 and 2001, supplies from the USA increased substantially in terms of value.

Leading suppliers of vegetable saps & extracts to the EU (share of total imported value in 2001):

→ France (11%), USA (10%), Germany (9%), Denmark (7%), India (6%), Spain (6%), Italy (6%) , Switzerland (5%)

Opportunities for developing countries

For information on opportunities for developing countries in the field of plant extracts, please refer to the text on raw plant material.

Essential oils & oleoresins

As from 1999, total imports of essential oils & oleoresins by EU member countries increased by about 10 percent in both terms of value and volume, amounting to € 613 million / 67 thousand tonnes in 2001. These increases could be observed in the imports of all the leading EU importers.

Table 5.3 Imports by EU member countries of selected essential oils, by product group, 1999-2001
€ million

	1999		2000		2001	
	value	volume	value	Volume	value	volume
Total	550,344	61,549	586,878	62,208	613,116	67,113
Intra-EU	210,208	17,537	221,935	19,885	210,746	16,806
Extra-EU	340,136	44,012	364,943	42,323	402,370	50,307
Other essential oils (HS 330129)	227,527	15,844	243,010	16,781	260,183	17,098
Lemon oil	47,792	3,116	38,841	2,536	44,173	2,648
Oil of other citrus fruit	19,400	1,311	22,595	1,525	21,710	1,668
Lime oil	14,612	1,030	13,435	729	16,724	782
Geranium oil	7,270	194	9,261	213	7,926	189
Jasmine oil	4,285	24	5,952	29	6,289	22
Vetiver oil	4,275	86	4,656	100	4,117	100
Other ess. oils & oleoresins	225,183	39,944	249,128	40,295	251,994	44,606

Source: Eurostat (2002)

The box below lists the leading EU importers and suppliers of the selected essential oils. Two thirds of the total imported value of essential oil and oleoresins is supplied by countries outside the EU, of which 60 percent accounted for by developing countries. Please note that developing countries play a relatively important role in the supply of the selected essential oils. France is the leading EU importer of essential oils & oleoresins. This is related to the importance of fragrance houses in France and these use essential oils to create fragrance formulae that are used in the production of perfumes. France and the United Kingdom together accounted for more than half of all EU imports in terms of value.

Leading EU importers and suppliers of selected essential oils (share in EU imports, value 2001)

Other essential oils	EU importers	France (33%), UK (19%), Germany (17%), Spain (10%), The Netherlands (6%)
	Suppliers	China (15%), France (12%), Indonesia (9%), USA (9%), UK (6%), India (5%)
Lemon oil	EU importers	UK (46%), The Netherlands (15%), France (14%), Ireland (10%), Germany (9%)
	Suppliers	Argentina (43%), Italy (19%), USA (10%), UK (5%), Brazil (3%), Germany (3%)
Oils of other citrus fruit	EU importers	The Netherlands (27%), France (16%), Germany (16%), Ireland (15%), UK (13%)
	Suppliers	USA (22%), Italy (18%), UK (11%), Germany (9%), The Netherlands (6%)
Lime oil	EU importers	UK (43%), The Netherlands (19%), France (12%), Ireland (11%), Germany (7%)
	suppliers	Mexico (38%), UK (18%), USA (14%), Peru (11%), Brazil (7%)
Geranium oil	EU importers	France (46%), UK (24%), Germany (11%), Spain (8%), Ireland (5%)
	Suppliers	China (36%), Egypt (30%), France (18%), UK (9%), USA (1%)
Jasmine oil	EU importers	France (88%), Germany (4%), UK (3%), Ireland (2%)
	Suppliers	Egypt (41%), India (39%), Morocco (8%), France (6%), Italy (3%)
Vetiver oil	EU importers	France (58%), The Netherlands (13%), Spain (10%), Germany (10%), UK (4%)
	Suppliers	Haiti (59%), France (9%), Indonesia (8%), The Netherlands (6%), USA (5%)

Opportunities for developing countries

As shown by the tables above, there is a wide range of essential oils for which developing countries occupy a dominant position. These include:

- Species sensitive to environmental factors, such as tropical plants (spices, ginger, cananga, vetiver), even if the climate is not a real protection against competition.
- Trees in the wild which can abundantly be found in developing countries (cinnamon, camphor, sandalwood).
- Wild plants which could be easily cultivated in industrialised countries, but for which wild harvesting remains more profitable than the cultivation (Artemisia sp., rosemary).
- Crops for which the cultivation and harvest is more profitable in developing countries (jasmine, tuberose, basil, Mentha arvensis).

According to Verlet (1995), the production of essential oils for natural isolates provides opportunities for developing countries to find new markets. There is increasing need for natural isolates which could be substitutes for chemicals. There is a lack of natural sources for several fragrances or flavours and some molecules could profitably be extracted from essential oils, even if they are present in small quantities.

According to Cunningham (1997b), the African region has several interesting aromatic plants as potential sources of essential oils, particularly from Asteraceae (e.g. Pteronia, Eriocephalus), and Rutaceae (Agathosma, Coleonema, Diosma), and these could generate income and employment.
Graven et al. (1988) have worked on the selection of Artemisia afra genotypes which have high yields of selected essential oils. The development of these African products is interesting in the first instance for the local market. In the future, they may or may not find their way into international markets.

The main EU markets for essential oils are France, the United Kingdom, and Germany. Interesting companies include Alban Muller International and C. Melchers Essential Oils.

Raw plant material

In 2001, total imports by EU member countries of raw plant material amounted to € 390 million / 182 thousand tonnes. In the same year, more than 80 percent of this value consisted of medicinal and aromatic plants, while the rest consisted of seaweed and algae.

Table 5.4 Imports by EU member countries of raw plant material, by product group, 1999-2001
€ million

	1999		2000		2001	
	value	volume	value	volume	value	volume
Total raw plant material	378	177	410	180	390	182
Medicinal & aromatic plants	314	112	339	118	323	123
Intra-EU	107	26	121	27	107	33
Extra-EU	207	86	218	91	217	90
Seaweed & algae	64	65	72	62	66	59
Intra-EU	9	11	11	13	9	9
Extra-EU	55	54	61	49	58	50

Source: Eurostat (2002)

German-based companies dominate the global herbal medicine supply industry. Consequently, Germany is the leading importer of raw plant material. As discussed in Chapter 3, natural cosmetic products are on the rise and medicinal and aromatic plants are increasingly used in the cosmetic industry.

Germany is not only a leading importer of medicinal and aromatic plants, but also a leading supplier of this product to the other EU member countries. France is the leading EU importer of seaweed and algae, whereas the supply of this product group is dominated by countries outside the EU.

Leading EU importers and suppliers of raw plant material (share in EU imports, value 2001)

Medicinal & aromatic plants	EU importers	Germany (26%), France (19%), Italy (14%), UK (12%), Spain (7%)
	Suppliers	USA (10%), Germany (10%), France (7%), China (7%), India (5%), Israel (4%)
Seaweed & other algae	EU importers	France (23%), Denmark (22%),UK (17%), Spain (18%), The Netherlands (7%)
	Suppliers	Philippines (18%), Chile (9%), Japan (8%), USA (6%), Indonesia (86)

Opportunities for developing countries

Besides being used by the botanical medicine industry, plant extracts are also increasingly used in cosmetic products. This was clear at In-Cosmetics 2003, where plant-based cosmetic raw materials were predominant among the new products on offer. The research trend for skin care products is moving toward the development of highly refined raw materials of natural origin with defined constituents imparting a specific biological effect to benefit healthy skin (please also refer to Chapter 3). Botanical raw material is supplied to the personal-care and cosmetics industry through the same channels as those supplying the botanical medicine industry. Detailed trade data and information on trade channels can be found in CBI's EU Market Survey "Natural Ingredients for Pharmaceuticals".

According to New Hope, the following essential herbals are making waves:

Cassia angustifolia: The sub-tropical plant grown in India and Egypt has been widely used in both traditional and allopathic herbal medicine for many years. Sennasoides are extracted from the plant and used as a laxative by leading European and US companies. More recently, the polysaccharides of cassia seed have been extracted and purified and sold in Europe under the name of Galactomannan. The extract includes 64 percent mannose, 27 per cent galactose, two per cent glucose, one per cent xylose and one per cent arabinose. The cosmetic properties of this extract perform the following functions:

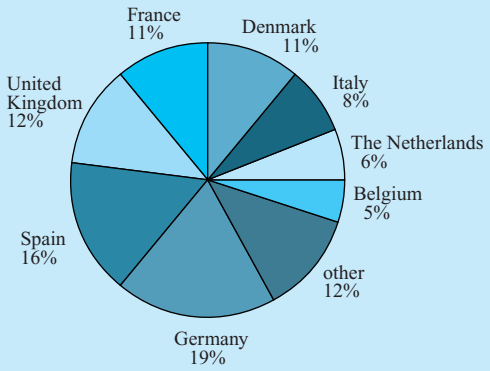
- Repair rough, dry skin
- Exhibit biosubstantivity to skin and hair
- Have film-forming capability
- Provide sustained moisturising
- Improve capacity of stratum corneum to hold water

Centella asiatica: This native of Indian swamps has been widely used in Ayurvedic medicine, but is a new entrant to the cosmetics market. The asiaticosides and triterpenes extracted from the plant have modulating properties on the development and metabolism of connective tissue. Consequently, centella improves wound repair with a better re-epithialisation and a normalisation of perivascular connective tissue, thus allowing an improvement of the venous wall tone and elasticity. Roche Nicholas in France produces more than three tonnes of a patented titrated extract of centella (TECA).

Tamarind: The paste extracted from the fruits of the sub-tropical leguminous tree Tamarindus indica for centuries has been widely used in herbal medicine and as a foodstuff. Tamarind paste made from the fruit pods is a traditional natural thickening agent in food as well as an ingredient in the textile, paper and pulp industry. More recently the polysaccharides of tamarind have been extracted for use in cosmetic products. They are recommended for the stimulation of skin repair, for environmental skin protection and for premature ageing.

Colouring matter of vegetable or animal origin
As from 1999, imports of colouring matter of vegetable or animal origin by EU member countries increased by 25 percent in value amounting to € 170 million in 2001. In the latter year, the imported volume amounted to almost 21 thousand tonnes. The leading EU importers were Germany and Spain, together accounting for a quarter of the total imported value.

Figure 5.9 Leading EU importers of colouring matter of vegetable or animal origin, 2001
% of total EU import (in value)



Source: Eurostat (2002)

About 45 percent of the total imported value was supplied by countries outside the EU, mostly represented by developing countries. In recent years, India and Peru have become important suppliers of colouring matter to the EU.

Leading suppliers of colouring matter to the EU (share of total imported value in 2001):

→ Spain (12%), France (11%), India (9%), Peru (8%), The Netherlands (8%), Germany (8%), UK (6%), Mexico (5%)

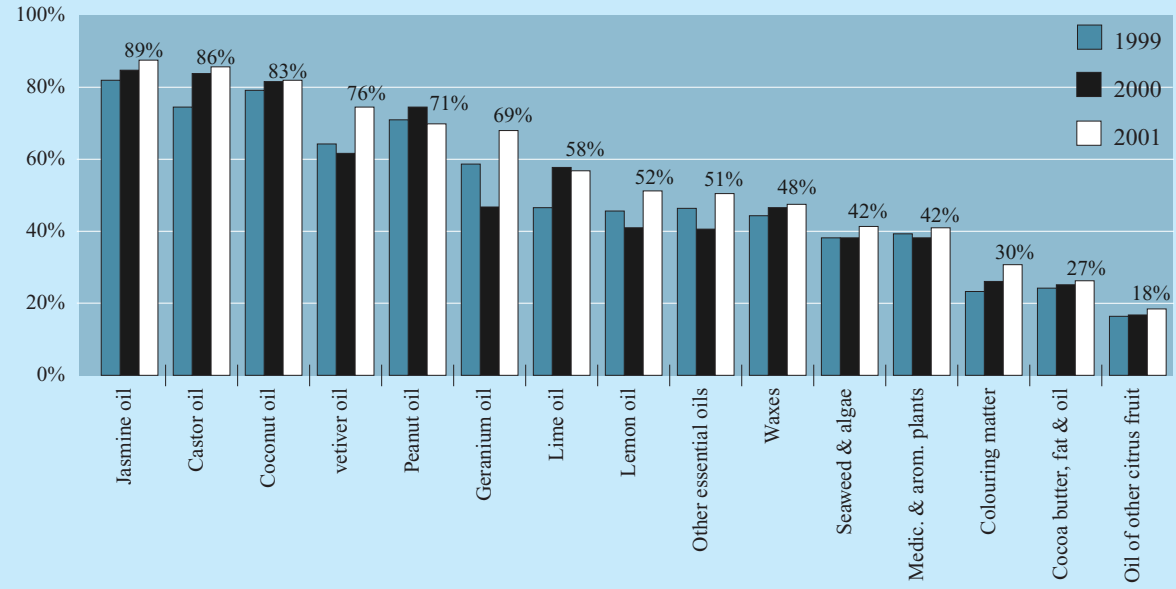
Opportunities for developing countries

As mentioned above, about 45 percent of the total imported value was supplied by countries outside the EU, mostly represented by developing countries. Therefore, natural colours provide opportunities for exporters in developing countries. This is particularly the case for indigo, which is one of the most ancient blue dyestuffs used for textiles, but is also used in the cosmetic industry. The leading supplier is India, but there some other (small) suppliers (e.g. El Salvador). Other interesting natural colours include cochineal, carmine, curcuma/turmeric, marigold and henna (these are included in Alban Muller's list of ingredients). Marigold is mentioned by ten Kate & Laird (1999) as a product containing compounds of interest to product development teams.

5.3 The role of the developing countries

Figure 5.10 shows the share of developing countries in EU imports and the development over the last three years of selected cosmetic ingredients. The most eye-catching fluctuations are in the ingredients castor oil, vetiver oil, geranium oil, lime oil and lemon oil.

Figure 5.10 Share of EU imports of selected natural ingredients for cosmetic originating in developing countries, 1999-2001
% of imported value



Source: Eurostat (2002)

Regarding the selected natural ingredients, developing countries are particularly strong in jasmine oil, castor oil, coconut oil, vetiver oil, peanut oil, geranium oil, lime oil, lemon oil and other essential oils. In 2001, developing countries supplied over 50 percent of the imports (in value) of these products by EU member countries. Moreover, developing countries increased their share in EU imports of most of these ingredients.

The most important developing country suppliers of the selected ingredients are China, Brazil, Morocco, India, Indonesia and Mexico. For some ingredients the supply from developing countries is dominated by a single country. Argentina, is for example, dominating the developing country supply of lemon oil, India the supply of castor oil, Haiti the supply of vetiver oil, Senegal the supply of peanut oil and Mexico the supply of lime oil.

Table 5.5 Imports of selected natural ingredients for cosmetics by EU member countries supplied DCs, 2001
€ thousand, % of total value supplied by DCs

Product	DCs	Leading developing country suppliers
Jasmine oil	5,594	Egypt (47%), India (44%), Morocco (9%), Madagascar (1%)
Castor oil	114,955	India (90%), Brazil (8%), China (2%)
Coconut oil	464,137	Indonesia (47%), Philippines (39%), Malaysia (9%), Papua New Guinea (4%)
Vetiver oil	3,121	Haiti (78%), Indonesia (11%), China (6%), Madagascar (3%)
Peanut oil	87,477	Senegal (82%), Argentina (7%), Sudan (7%), Gambia (2%)
Geranium oil	5,441	China (52%), Egypt (4%), South Africa (1%)
Lime oil	9,623	Mexico (65%), Peru (18%), Brazil (13%), Cuba (2%)
Lemon oil	22,783	Argentina (84%), Brazil (7%), South Africa (4%), Côte d'Ivoire (4%)
Other essential oils	133,902	China (30%), Indonesia (17%), India (10%), Turkey (7%), Morocco (6%)
Waxes	21,585	Brazil (47%), China (31%), Mexico (8%), Argentina (4%)
Seaweed & algae	28,021	Philippines (42%), Chile (21%), Indonesia (14%), Morocco (9%), China (7%)
Medic. & arom. plants	134,543	China (16%), India (13%), Morocco (8%), Egypt (6%), Turkey (6%)
Colouring matter	51,033	India (31%), Peru (27%), Mexico (17%), China (6%), South Africa (4%)
Cocoa butter, fat & oil	192,829	Côte d'Ivoire (43%), Ghana (15%), Malaysia (11%), Indonesia (10%)
Oil of other citrus fruit	3,979	Cuba (25%), Brazil (15%), Peru (11%), Morocco (10%), Tunisia (10%)

DCs: Developing countries
Source: Eurostat (2002)

EU ENLARGEMENT

In 2004, some ten more countries, primarily from the Central and Eastern Europe (CEE) region, will join the European Union: Hungary, Poland, the Czech Republic, Slovakia, Slovenia, Estonia, Latvia, Lithuania, Malta and Cyprus.

As part of the integration process, these countries are adopting the common body of law in the EU. The new member countries also have entered into bilateral agreements with the EU in areas such as industrial and agricultural tariffs, standards and certification procedures.

In this Section, the impact of the EU enlargement on exports of natural ingredients for cosmetics will be briefly discussed.

Threats of the enlargement

Eastern European countries (mainly Hungary, Poland, Albania and Bulgaria) cultivate medicinal plants on a large scale. Many companies in CEE have a competitive advantage over their competitors in developing countries because of their access to highly skilled, and low-cost labour.

After the enlargement, therefore, imports from developing countries may expect to be partially replaced by imports from the new member states. However, this will only be the case for product groups which can be cultivated in Europe, such as lavender *(Lavandula spp.)*, Opium Poppy *(Papaver somniferum)*, Caraway *(Carum carvi)* and Fennel *(Foeniculum vulgare)*. For some product groups, cultivation is not a good alternative. Collection from the wild may occur for medicinal plants that grow slowly, are difficult to domesticate or for which only small quantities are needed. The cost of wild-collection is typically much less than that of cultivation. In these cases, the position of developing countries will not deteriorate.

Although developing countries have a dominant position in the global production of natural ingredients, the competition from industrialised countries and Eastern European countries remains strong. For instance, in the case of natural ingredients for the cosmetic industry, developing countries account for approximately 55 percent of total inputs, while industrial countries and Eastern European countries supply 35 percent and 10 percent of world production respectively. Industrialised countries remain in a dominant position where high yield and full mechanisation make cultivation competitive with countries that rely on low labour costs. A possibility exists that industrialised countries will out-source their production to Eastern European countries where labour costs are low.

Opportunities of the enlargement

The accession of the new member countries will add another 100 million consumers to the EU marketplace. This will obviously increase the overall EU buying power noticeably. However, keep in mind that the average income of consumers in the ten countries is considerably lower than the average of the current 15 member countries.

One of the greatest attributes of EU membership in terms of how it benefits exporters from developing countries is the transparency and homogeneity of the EU regulatory system. As the countries of CEE move through the accession process, they are required to adopt EU laws and regulations. Each of the new member countries already has these EU laws in place, or is in the process of adapting their laws to EU standards. As a result, transaction costs for exports from developing countries will be reduced because the harmonised rules and regulations now cover a larger area.

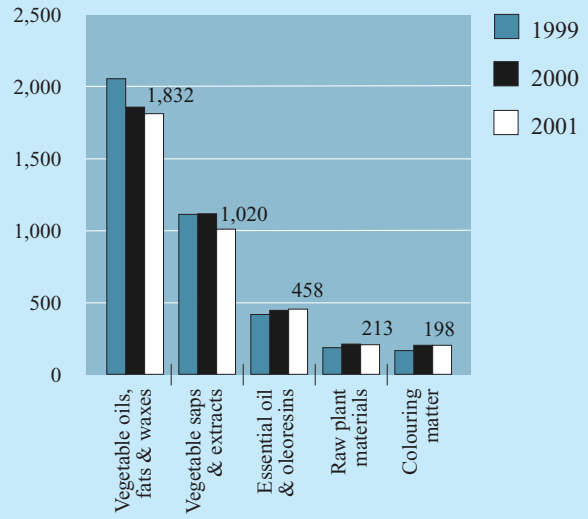
Prior to actual membership, a number of the new member countries (such as Hungary, Czech Republic, Poland, Slovakia, Lithuania, Latvia and Estonia already enjoy duty-free access for their products entering the EU market. In other words, the situation for exporters competing with East-European companies does not change after the actual accession. On the other hand, duties currently applying to exporters to CEE-countries will most probably diminish after these countries have become part of the EU market. This is the result of the fact that most EU tariff levels for developing countries' products are generally lower than those imposed in CEE-countries. On the subject of tariff barriers, the overall effect of the enlargement on developing countries' comparative advantage will be positive.

6 EXPORTS

The EU export data must be interpreted and used with caution. The Netherlands, for example, is listed as the leading exporter of oils, fats and waxes derived from vegetables (and animals). It must be realised, however, that a substantial amount of these products is imported, further processed and re-exported at a higher value.

Vegetable oils, fats & waxes are not only the leading product group imported by EU member countries, but also the leading export product.

Figure 6.1 Exports by EU member countries of natural ingredients for cosmetics, 1999-2001
€ million



Source: Eurostat (2002)

Vegetable (and animal) derived oils, fats and waxes
Between 1999 and 2001, EU exports of vegetable oils, fats & waxes decreased by about 12 percent in value, but increased by 8 percent in volume, amounting to € 1.8 billion / 1.8 million tonnes in the latter year. The leading EU exporter was The Netherlands, accounting for almost 40 percent of exports (in value) by EU member countries, followed by Germany (13%), France (13%) and Belgium (12%). The major destinations were Germany, Belgium, France, the UK and Italy, which together received almost half of the value exported by EU member countries in 2001.

Vegetable saps and extracts
As from 1999, exports by EU member countries of plant extracts decreased by almost 10 percent in both terms of value and volume, amounting to over € 1 million / 138 thousand tonnes in 2001. The leading EU exporter was Germany, accounting for a quarter of exports (in value) by EU member countries, followed by France (24%), Spain (13%) and Italy (9%). The major destinations were the USA, Germany, France, the UK, Italy, Russia and Japan, together receiving 45 percent of exports by EU member countries in 2001.

Essential oils and oleoresins
Exports of essential oils and oleoresins by EU member countries increased by a small 6 percent during the survey period, reaching € 458 million in 2001. In the same year, exports in terms of volume amounted to 35 thousand tonnes. The leading EU exporter was France, accounting for 37 percent of the exported value, followed by the UK (24%), Italy (10%) and Germany (8%). The major destinations were the USA, Germany,

Switzerland, France and Japan, together receiving half of exports (in value) by EU member countries.

Raw plant material
Between 1999 and 2001, EU exports of raw plant material increased by 12 percent in terms of value, amounting to € 213 million in the latter year. In terms of volume, imports remained fairly stable at 50 thousand tonnes. The leading EU exporter was Germany, accounting for 28 percent of exports by EU member countries, closely followed by France (28%), Spain (9%), Belgium (8%) and Italy (8%). The major destinations were France, Germany, Switzerland, Italy, the UK and the USA, which together received more than 50 percent of exports (in value) by EU member countries in 2001.

Colouring matter of vegetable or animal origin
Exports by EU member countries of colouring matter of vegetable or animal origin increased by 17 percent in value and by 10 percent in volume since 1999, amounting to € 198 million / 22 thousand tonnes in 2001. The leading EU exporter was Spain, accounting for 26 percent of exports (in value) by EU member countries, followed by Germany (14%), Denmark (14%), France (14%) and The Netherlands (9%). The major destinations were Germany, the UK, the USA, France, The Netherlands and Italy, which together received half of exports by EU member countries in 2001.

7 TRADE STRUCTURE

7.1 EU trade channels

Most companies source raw materials in dozens of countries. The material has usually passed through many hands before it reaches a manufacturing company, and most companies find they cannot obtain satisfactory details on its origin. Many do not consider this important however, as long as the material meets their specifications and price requirements (ten Kate & Laird, 1999).

On the other hand, however, a number of partnerships have been created based on the sourcing of raw materials, often with the express purpose of contributing to environmental and social objectives, and sharing commercial benefits. Partnerships of this kind are increasingly common for alternative marketing campaigns.

The Body Shop, for example, has a Community Trade Programme in order to achieve long-term sustainable relationships. The community trade programme is based on fair trade principles. Its objective is to make a positive economic and social difference within individual communities, in return for natural ingredients and handcrafted accessories. The programme works with 36 community based suppliers of raw ingredients and accessories in 23 countries. Over 190 products launched in 2002 contained ingredients sourced through the community trade programme. New ingredients include marula oil and melon seed oil. The company aims to increase the number of lead ingredients sourced through the programme, whilst building on the existing group of suppliers for sourcing accessory items. Partners in the programme include: villages in Brazil supplying Brazil nut, women's groups in Ghana supplying shea butter, a co-operative in Nicaragua supplying sesame seed oil. The Body Shop, however, no longer manufactures and buys raw materials itself. It contracts manufacturers in USA/Europe. According to the manager of the Community Trade Programme, there are not many community suppliers able to meet the level of organisation required and the quality and expertise needed.

Yves Rocher works with co-operatives in Burkina Faso to source sesame, and Aubrey Organics has direct sourcing relationships with a number of small co-operative suppliers around the world. It sources aloe vera in Honduras, shea butter in Africa and eucalyptus in Australia. Conservation International, an international NGO, and Croda Inc., a bulk ingredient supplier, established a partnership where Guatemalan communities provided an extract which was used in a Croda Personal Care line. However, this recently stopped as the line was already 5 years old and other ingredients were more competitive. The challenge is to keep a new ingredient in the market.

Some leading industrial users have their own purchasing department, and major oil producers may be tempted to sell directly to industrial users, in order to get be paid a better price for their oils. Nevertheless, traders and brokers still fulfil important functions:

- purchase of oils throughout the world or from specific geographic areas
- analysis and quality control
- rectification of the oil to fit the commercial standards
- blending
- sale to users

Different types of traders can be distinguished. Enterprises based in the producing countries are mainly involved in the sale and export of local products: they usually deal in large quantities of few commodities produced locally. Enterprises based in consuming countries are concerned with imports and supply of the domestic market: they handle a wide variety of oils. Lastly, some merchant houses are specialised in international trade of large-volume quantities.

As mentioned in Section 1.1, botanical raw material is supplied to the personal-care and cosmetics industry through the same channels as those supplying the botanical medicine industry. The boxes below present the structure of the botanical medicine industry and the trade which is dominated by German based companies.

Structure of the botanical medicines industry

Cultivation or wild-collection of plants
Plants are cultivated or wild-collected. Plant material is cleaned and dried. The majority of plant material in trade is in dried form. Drying methods must bring moisture content down to <14 percent, while retaining the chemical composition of the plant. A minority of material is traded fresh, or preserved in alcohol.

Exporters/importers/wholesalers/brokers/traders
Plant material is purchased either directly from wild-crafters or cultivators, or after it has passed through a number of traders (e.g. local dealers, village co-operatives, district traders). Brokers and agents act on behalf of purchasing companies. Wholesalers, importers and exporters may specialise in a few raw materials, or in a few thousand, which they sell as commodities to a number of different companies. Wholesalers/traders may also process plant material. Some companies apply testing, or use voucher specimens at this stage, to ensure correct species identification and quality.

Bulk ingredient suppliers and processing companies
Plant material is tested for contamination (e.g. pesticides). It is formed into bulk ingredient, either coarsely cut, rasped, or ground into powdered form (for use in crude herbal products and in the preparation of extract). Due to consolidation in the industry, the production of bulk ingredients is often undertaken by wholesalers/traders. Further processing in the form of extraction, particularly standardised extracts, is undertaken by processing companies, many of which also produce branded lines which they sell directly to distributors or retail outlets.

Manufacturers of finished products
Bulk and processed ingredients are supplied to companies which manufacture (e.g. might add excipients to extracts to make tablets and capsule products, based on in-house formulae), label, and package products for retail sales. Some sell lines directly to health professionals, others sell directly to consumers through multi-level marketing and mail order. Some companies use brokers or distributors to supply their products to retail outlets, others market directly to mass and specialty outlets.

Distributors
Some manufacturers (usually smaller companies) use distributors to sell finished products to retail outlets.

Retail/consumer sales
The bulk of finished products is sold through retail outlets, either mass market (e.g. chain pharmacies, supermarkets, grocery stores) or speciality (e.g. health food stores, pharmacies), although direct sales command a significant proportion of the market

Source: ten Kate & Laird, 1999

Structure of the botanicals trade in Germany

Drug brokers
Seven brokers or agents are involved in the trade in Germany. Most are active on a global scale, although some specialise in specific countries. Brokers represent foreign import-export companies, traders, farmers and manufacturers. They deal mostly for wholesalers, and to a lesser extent for pharmaceutical companies or herbal tea companies. Most brokers also trade in spices.

Wholesalers (traders in bulk material)
In Germany, the mainstream bulk trade in botanicals is dominated by about 20 wholesalers, with further consolidation of the trade in the past few years. 95 percent of plants sold by German wholesalers are sold as dried plants and plant parts, with the remaining 5 percent comprised of plants preserved in alcohol, mainly for use in homeopathy. Traders deal with a range of customers including the food industry, pharmaceutical companies, cosmetics, liqueur, extract-producing companies, and colouring agent companies. Overall volumes imported by individual traders range from 1,000 tonnes to 30,000 tonnes annually. On average, each company trades in 400-500 botanical species.

Processing
Wholesalers are often responsible for processing the plant material before sale, including cleaning, cutting and grinding it into a powder. Some wholesalers are also involved in producing extracts, herbal teas, or herbal mixtures.

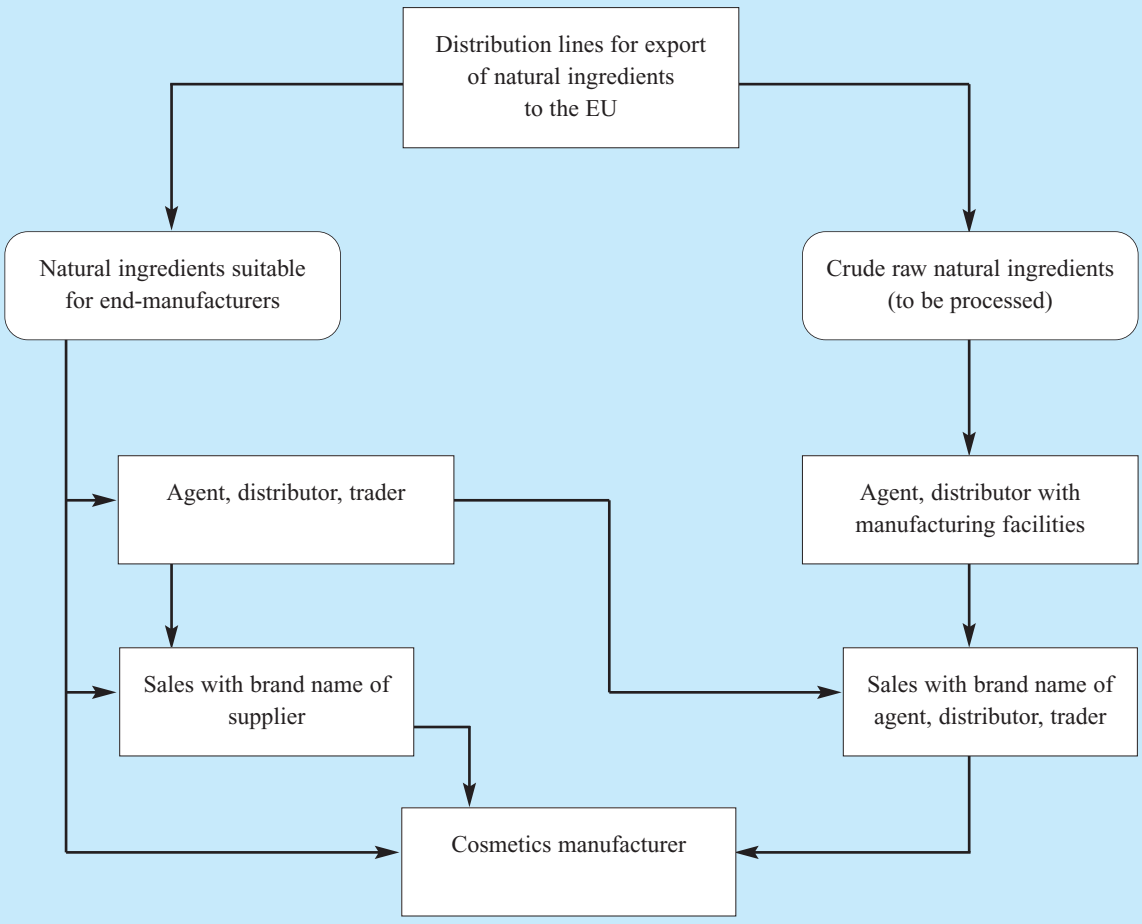
Manufacturing
Processed material is supplied to manufacturers of pharmaceuticals, plant extracts, cosmetics, liqueurs, dyes, etc., as well as to second-level retail suppliers, and to other wholesalers and tea-packing companies. Bulk extract producers and pharmaceutical companies often manufacture intermediary products which are then sold to cosmetics, pharmaceuticals, or food companies which manufacture finished products.

7.2 Distribution channels for developing country exporters

The figure below gives a schematic overview of the trade structure of natural ingredients for the cosmetics industry in the EU. The figure presents two major trade channels one for "ready-to-use" and one for crude raw materials. Traders dealing with crude materials have the processing equipment and knowledge to process the ingredients in such a way that they meet the demands of the industry.

Many of EU importers have an Internet site, where interested parties can find more information on the field in which these importers are active. Besides Internet sites of respective companies, the cosmetic suppliers' guide (www.cosmeticsbusiness.com) and Europages (www.europages.com) are other good sources for finding contact details and information on the activities of importers. The most interesting contacts at Europages can be found under the category Chemicals and Pharmaceuticals, subcategories Essences and fragrances non-food, Herbs for medicines and cosmetics, Oils and fats non-food, Import-export - chemicals and pharmaceuticals. The site www.ingridnet.com is a marketing instrument for companies supplying ingredients. The database includes contact details of 10,000 ingredient suppliers and is used by the food, cosmetic and pharmaceutical industries to source ingredients.

Figure 7.1 Trade structure of natural ingredients for the cosmetics industry in the EU



It is difficult to gain an insight into the trade of ingredients and the way in which they pass from the source to the end-user. A trade fair is a good way to get into contact with companies from all over the world, which could be interested in new suppliers. Please refer to Appendix 2.4 for more information on trade fairs.

8 PRICE DEVELOPMENTS

8.1 Prices

The prices of natural ingredients for cosmetics can fluctuate widely depending on the raw material. The price level of natural ingredients is influenced by:

- **Quality factors** — Determined by the country of origin, the climate, the crop, the concentration of the ingredients and the extraction method.
- **Economic factors** — Based on supply and demand. The supply depends on the size of the current crop, the carry-over from previous crops and the existence of synthetic substitutes.

The difference between spot market and shipment market is made on some price lists of essential oils. On the spot market, the essential oils are delivered directly from the stocks held by dealers. On the shipment market, the oils have to be delivered from the country of origin. In general, essential oils are cheaper on the spot market.

Another factor to be taken into account is the shelf life of certain oils, which can be stored for several years without any significant deterioration of the quality. However, stocks are usually dependent on production levels and demand. Many of the processing divisions or compounding houses hold large stocks, so as to ensure sufficient supplies. Stocks are also maintained for speculative reasons, which influence market prices.

Table 8.1 Global market prices of selected essential oils, August 2003 in US$

	settlement/close	previous week	2003 high	2003 low
caraway oil				
Egypt fwd fob	95.00	95.00	95.00	95.00
cardamon oil				
London, Rotterdam, Hamburg spot	165.00	165.00	215.00	165.00
London, Rotterdam, Hamburg cif	148.00	148.00	265.00	148.00
cassia oil				
China fwd	9.50	9.50	9.00	8.85
cedarwood oil				
China cif	3.20	3.20	3.10	3.00
cinnamon leaf oil				
Sri Lanka spot	7.80	7.90	7.90	7.60
Sri Lanka cif	7.25	7.70	7.70	6.10
cinnamon bark oil				
London, Rotterdam, Hamburg spot	200.00	250.00	250.00	200.00
citronella oil				
Sri Lanka spot	8.00	8.00	8.90	7.95
Sri Lanka cif	7.10	7.25	7.60	7.10
Java cif	4.70	4.70	7.50	4.70
China cif	4.50	4.50	6.95	4.50

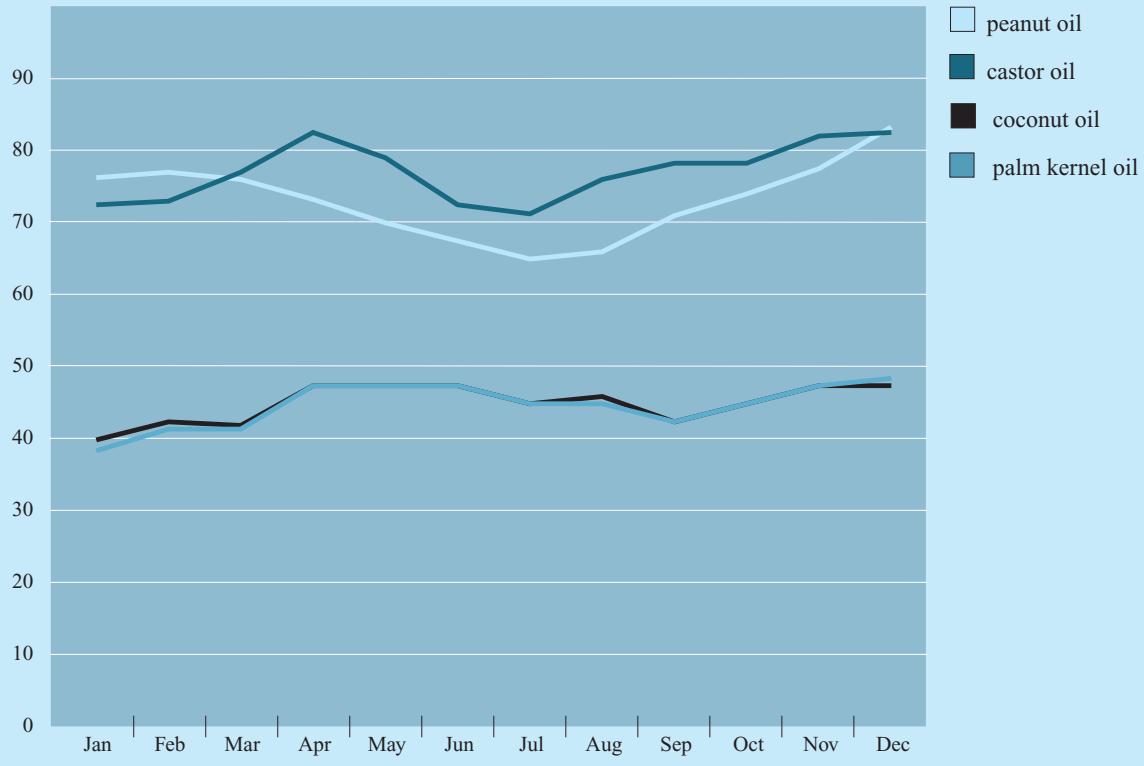
continued

continued

clove leaf oil				
Madag spot	5.50	5.50	7.25	5.50
Indonesian spot	6.10	6.10	6.10	5.60
lemongrass oil				
Cochin spot	12.30	11.90	12.60	11.90
Cochin cif	11.00	10.80	11.50	10.75
lime oil				
Mexico spot	18.00	18.00	18.00	16.20
Mexico cif	16.50	16.50	16.50	15.50
nutmeg oil				
Indonesian spot	44.00	43.00	44.00	38.00
Indonesian fwd	42.00	42.00	42.00	36.00
Grenada c&f	37.00	37.00	37.50	37.00
orange pera				
Brazil spot	3.60	3.30	3.60	3.10
Brazil fob	3.50	2.90	3.50	2.70
patchouli oil				
Indonesian spot	27.00	27.00	30.00	22.00
Indonesian cif	26.00	26.00	32.00	20.00
vetivert oil				
Indonesian spot	68.00	66.50	68.00	66.50

Source: Public Ledger (August 2003)

Figure 8.1 Price developments of major vegetable oils imported from developing countries, CIF Rotterdam in bulk, Jan-December 2002
in € per 100 kg



Source: Commodity Board MVO (2003)

Margins
The margins for the different intermediaries in the trade structure (importers, agent, etc.) are difficult to determine, because they are influenced by many factors, such as:

- Size of the order;
- Length of the trade channel;
- Quality of the product;
- Availability of the product;
- Added value

8.2 Sources of price information

The internet is a good source for obtaining an idea of retail prices for raw materials. Please refer to Appendix 4 for addresses. At some sites, professional users can request samples and offers for ingredients.

The Internet site of the Herb Growing and Marketing Network includes a herb crop shop, where growers and buyers of botanicals can come together (www.herbworld.com/cropshop/).

The Public Ledger provides news and topical features on world commodity markets, including regulatory issues and comments from leading industry figures and exclusive interviews with key players. The Public Ledger weekly publishes the latest trading prices for over 700 commodities world-wide, including the following raw materials:

- 38 essential oils including amyris, geranium, lemongrass and vetiver
- oilseeds, oils and fats including soya oil, sunflower seed oil, groundnut/peanut oil, palm oil and castor oil.
- waxes and gums.

The magazine COSSMA monthly publishes prices of a number of cosmetic raw materials (mostly essential oils), such as vetiver oil, citrus oil, patchouli, geranium oil.

At the end of 2000, ICT started with a market news service for medicinal plants and extracts. This news bulletin presents prices and market intelligence for those products for which current information is not readily available, but that are of substantial importance to a significant number of developing countries and have promising market potential. The bulletin is published quarterly and provides information on indicative prices of raw materials and extracts commonly consumed in the region (North America, Western Europe, East and Southern Europe, India, China and Japan), regional demand and supply scenarios including factors influencing the market, industry news including mergers, acquisitions, developments and trade fairs, conferences, and industry events taking place in the region. For subscription, please refer to www.intracen.org.

For addresses, please refer to Appendix 2.2.

9 EU MARKET ACCESS REQUIREMENTS

This chapter will only deal briefly with the relevant issues within this subject. References to relevant information sources will be made. Since CBI's AccessGuide is an important instrument providing the larger part of the information described below, references to the Guide will be made.

AccessGuide

AccessGuide is CBI's database on European non-tariff trade barriers, specially developed for companies and business support organisations in developing countries. Registered companies and organisations have unlimited access to AccessGuide information.

Exporters in developing countries wishing to penetrate the European Union should be aware of the many requirements of their trading partners and EU governments. Standards that are being developed through legislation, codes, markings, labels and certificates with respect to environment, safety, health, labour conditions and business ethics are gaining importance. Exporters need to comply with legislation in the EU and also have to be aware of the many market requirements. AccessGuide provides clear information on these standards and their implications.

For more information please refer to www.cbi.nl/accessguide.

9.1 Non-tariff trade barriers

9.1.1 Legislative requirements

Cosmetics Directive 76/768/EEC

The leading legislation determining access to the EU is laid down in the Cosmetics Directive 76/768/EEC. This Directive was adopted in 1976 and has been amended six times. Cosmetic ingredients are regulated in the annexes of the Cosmetics Directive. The Directive indicates:

- which substances are not allowed in cosmetic products;
- which substances are allowed in cosmetic products up to pre-specified limits and conditions;
- which colorants are exclusively allowed in certain applications in cosmetics;
- which preservatives are exclusively allowed in cosmetics.

Since 1997, cosmetic manufacturers have been under the obligation to hold product information dossiers for all their products, containing the following information:

- the qualitative and quantitative composition of the product;
- the physico-chemical and micro-biological specifications of the raw materials and the finished product, and the purity and microbiological criteria of the cosmetic product;
- the method of manufacture, which must comply with the Good Manufacturing Practices;
- an assessment of the safety for human health of the finished product; to that end, the manufacturer shall take into consideration the general toxicological profile of the ingredient, its chemical structure and its level of exposure;
- the name and address of the qualified person(s) responsible for the safety assessment;
- existing data on undesirable effects on human health resulting from the use of the cosmetic product;
- proof of the effect claimed for the cosmetic product, where justified by the nature of the effect or of the product.

In the case of novel ingredients, which are not regulated under the Cosmetics Directive, the responsibility for the safety of the resulting product lies with the cosmetics manufacturer. In order to assess the safety of such ingredients and have them regulated under the Cosmetics Directive, safety files are prepared by the cosmetics industry and submitted to the Scientific Committee on Cosmetology (SCC, the advisory body of the European Commission), via The European Cosmetic Toiletry and Perfumery Association Colipa. The SCC consists of qualified persons in the different EU member states.

Once a proposal has been accepted by SCC, the European Commission publishes the modification to the Cosmetics Directive in the Official Journal of the European Communities. The member states of the European Union have to implement the modification in their national laws. It is only after publication in the

Official Journal of each member state that the substance in question will be permitted to be utilised, according to the conditions laid down in the Directive.

Please refer to CBI's AccessGuide for more detailed information.

> Developing countries wishing to export their products to the EU countries need to meet the above mentioned requirements. If not, their products will not be admitted to distribution in the EU. For more information, please refer to Part B of the survey.

Directive Dangerous Substances 91/155/EEC
This directive specifies that the person who brings the dangerous substance on the market is responsible for providing information by means of the Material Safety Data Sheet (MSDS). Even when a person brings on the market a substance that is not dangerous, the Material Safety Data Sheet is also required to control whether or not the substance is dangerous. In general, exporters in developing countries do not have to send Material Safety Data Sheets to the importers. The importer will guide this process and conduct the tests required. In the MSDS, the following subjects are required:

- chemical product identification
- composition of and information on ingredients
- hazard identification
- first aid measures
- fire fighting measures
- accidental release measures
- handling and storage
- exposure controls/personal protection
- physical and chemical properties
- stability and reactivity
- toxicological information
- ecological information
- disposal considerations
- transport information
- regulatory information
- other information.

Because a lot of information is required in the cosmetic industry, MSDS as well as cosmetic raw materials additional data forms are in circulation. In these additional data forms, aspects like substance identity, manufacturing process, raw materials specifications, microbiological conditions, side components, analytical data, toxicological data and ecological data could be specified. For examples of MSDS, please refer to the Internet site http://siri.uvm.edu.

Before a cosmetic product can be brought to the market, laboratory research has to be conducted to assess the content of the product. This is relatively more costly for smaller companies than for larger companies, which produce larger batches. In the organic sector, there is controversy about the EU legislation. Some companies have added preservatives to their products. In this way they can produce larger batches and store them for a longer time, thereby reducing the cost component of the laboratory research. Other small companies ended their activities.

For up-to-date information on EU legislation, please refer to the Internet sites:
http://pharmacos.eudra.org/F3/home.html and
www.colipa.com.

> Since the importer will guide this process and conduct the tests required, an exporter in developing countries is advised to make clear agreements with the importer.

CITES
Known as CITES, the Convention on International Trade in Endangered Species of Wild Fauna and Flora, entered into force on 1 July 1975 and now has a membership of 160 countries. These countries act by banning commercial international trade in an agreed list (Appendix I) of endangered species (including plants) and by regulating and monitoring trade in others (Appendix II) which might become endangered. More than 230 medicinal plants species have been added to CITES appendices. Medicinal species on CITES Appendix II include: False hellebore (Adonis vernalis), desert cistanche (Cistanche deserticola), Asian ginseng (Panax ginseng), Himalayan may-apple (Podophyllum hexandrum), Himalayan yew (Taxus wallichiana) and snake-root (Rauvolfia serpentina). Under this listing, commercial trade is permissible, provided specimens of listed species are legally harvested without detriment to wild populations, and valid CITES documentation is obtained prior to shipping.

The lists of species are available through CITES Internet-site at www.cites.org. Council Regulation EC/338/97, Commission Regulation EC/938/97 and EC/2307/97 are the legislative instruments regulating the trade in wild fauna and flora at EU level. These regulations fully implement the provisions of CITES and include a number of stricter measures. For up-to-date information on species included in CITES Appendix I and II, please refer to www.cites.org.

EU product legislation on environmental and consumer health and safety issues is compulsory and, therefore, of utmost importance. Cosmetic ingredients as well as pharmaceutical products have to comply with several legal EU requirements on safety, marketing and Good Manufacturing Practices. Moreover, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) is relevant. In AccessGuide you will find an analysis of all EU requirements that are applicable in the EU member states. In addition, more strict legislation in The Netherlands, Germany and the United Kingdom is included in the database. You should note however, that the scope of the database is at the moment limited to these countries, although this does not imply that in other EU Member States there is no additional legislation.

9.1.2 Quality and grading standards

Because of the different end-products, each buyer has specific quality requirements for the products that are used in their production process. The quality standards to which cosmetic ingredients have to comply are generally very high.

The quality of cosmetic ingredients is assessed on the basis of a number of criteria. On one hand, the buyer will use physical indications to form his opinion of the quality of the product. This process is distinctive for every product.

Buyers of essential oils will assess their quality on the basis of:
- the odour and flavour character;
- physical properties;
- chemical composition;
- purity; and
- absence of adulteration.

The relative significance of each of these criteria to a buyer will depend on the individual essential oil and its intended end-use.

The assessment of physical indicators is the main determinant of the quality of essential oils used in the cosmetics industry. Nevertheless, the buyer can also make use of other quality grading standards.

A range of bodies monitors product quality and trading procedures and draws up specifications for natural ingredients for cosmetics. The most widely recognised standards are those set by the International Organisation for Standardisation (ISO). International (ISO) standards exist for the majority of essential oils. The International Fragrance Association (IFRA), based in Geneva, monitors toxicological and other hazardous aspects of various raw materials used in perfume compounds.
In the case of those cosmetic ingredients that are also used in the pharmaceutical industry, some buyers will ask for cosmetic ingredients which meet the requirements of the European Pharmacopoeia (this is a certificate which is needed when you intend to deliver to the pharmaceutical industry). These standards specifications are published in the European Pharmacopoeia issued by SDU Publishers.

Standards for most natural cosmetic ingredients are, however, of minor importance and the quality should comply in the first place with the standards of the importer.

Furthermore, producers should comply with the Good Manufacturing Practice (GMP) of Colipa for cosmetics. This directive states minimum quality and hygiene requirements for the production process of cosmetic products. Please be aware that Colipa sets guidelines as a sector association for the membership companies. In this way, Colipa is able to influence legislation.

It should be noted that the GMP guidelines of WHO are binding for UN member states and have to be incorporated in national and regional legislation. The legal implementation of these guidelines can be found at the Internet site http://pharmacos.eudra.org/, which includes pharmaceuticals and cosmetics as well.

What is GMP?

Good manufacturing practice (GMP) is a system for ensuring that products are consistently produced and controlled according to quality standards.

It is designed to minimise the risks involved in any pharmaceutical or cosmeceutical production that cannot be eliminated through testing the final product. The main risks are:

- unexpected contamination of products, causing damage to health or even death;
- incorrect labels on containers, which could mean that patients receive the wrong medicine;
- insufficient or too much active ingredient, resulting in ineffective treatment or adverse effects.

GMP covers all aspects of production; from the starting materials, premises and equipment to the training and personal hygiene of staff. Detailed, written procedures are essential for each process that could affect the quality of the finished product. There must be systems to provide documented proof that correct procedures are consistently followed at each step in the manufacturing process - every time a product is made.

WHO has established detailed guidelines for good manufacturing practice. Many countries have formulated their own requirements for GMP based on WHO GMP. Others have harmonised their requirements, for example in the Association of South-East Asian Nations (ASEAN), in the European Union and through the Pharmaceutical Inspection Convention.

More detailed information on GMP can be found at the Internet site: www.who.int.

There is no general EU regulation for vegetable oils and fats. In The Netherlands, the Commodity Board for Margarine, Oils and Fats has compiled the M.V.O. Regulation 1975, Edible Oils and Fats. The world-wide oils and fats trade has established its own set of grading and quality standards. These are laid down in standard contracts issued by the Federation of Oils, Seeds and Fats Trade Association (FOSFA).

Nomenclature
Apart from the grading standards mentioned above, nomenclature can be important as it is used to classify cosmetic ingredients:

- INCI
  The International Nomenclature Cosmetic Ingredients (INCI) refers to the common nomenclature for labelling ingredients on the packaging of cosmetic ingredients, developed by the European Cosmetic Toiletry and Perfumery Association (Colipa). An INCI name may cover several chemical entities. For an inventory of ingredients used in cosmetic products, by INCI name, please refer to http://pharmacos.eudra.org/F3/inci/index.htm.

- INN
  The International Non-proprietary Name (INN) is recommended by the World Health Organisation (WHO).

- CAS number
  This abbreviation refers to the code number developed by the Chemical Abstracts Service (CAS). The CAS number is an international code enabling identification of chemical substances.

The bulk of the compounds utilised in the manufacturing of cosmetic products may only be identified by their Latin name, or alternatively by the INCI name. To require companies to translate the chemical ingredient names into French and/or English is not considered to be a safe alternative, because some companies may fail to translate the chemical names accurately or they may merely create their own new name where none previously existed. Problems may also occur as companies attempt to put all the ingredients on the label, in both languages, in such a way as to render the font illegible. This problem is prevalent in Mexico where additional translation is required. Additionally, the creation of new English and/or French words for the chemical ingredient names would also detract from the level of safety provided by the INCI system, because cosmetic ingredient names would no longer be recognisable world-wide. Should companies make use of different chemical names for the same substance, consumers would become confused and safety would be compromised. Additionally, without a designated nomenclature, many companies would use trade names to identify chemical ingredients and the result of this would be that consumers would have no method of understanding which ingredients have been employed in the manufacture of a product and which ingredients they should endeavour to avoid. The INCI system allows for all consumers and medical professionals to have access to identical names in a common reference dictionary.

- EINECS/ELINCS number
  This refers to the numerical code provided either under the European Inventory of Existing Commercial Chemical Substances (EINECS) for existing chemicals, or under the European List of Notified Chemical Substances (ELINCS) for new chemicals.

  EINECS lists about 150,000 substances. If you want to introduce a new oil which is not on the list, you need to register it under the European List of Notified Chemical Substances (ELINCS).

- Chemical/IUPAC name
  This field covers the chemical name and the IUPAC (International Union of Pure and Applied Chemistry) name. It covers EINECS names, which make use of the IUPAC nomenclature, or CAS names, which clearly offer a suitable identification of the ingredients.

Useful Internet sites

Colipa	http://www.colipa.com/
INCI	http://pharmacos.eudra.org/F3/inci/index.htm
INN	http://www.who.int/medicines/organization/qsm/activities/qualityassurance/inn/innguide.shtml
CAS	http://www.cas.org
EINECS/ELINCS	http://pharmacos.eudra.org/F3/inci/eina200.htm
IUPAC	http://www.chem.qmw.ac.uk/iupac/

9.1.3 Trade related environment, social and health & safety issues

Environmental, social, health and safety aspects play a role in preparing natural ingredients for export to the European market. Environmental aspects of products have become a major issue in Europe, therefore, exporters in developing countries should pay attention to these issues.

Many cosmetic ingredients such as oils, fats, proteins, waxes and thickening agents originate in vegetable raw materials (seeds, fruits, roots). The cultivation of crops can have a heavy environmental impact. Oils and fats are esters of glycerol containing three fatty acids. The distinction between oils and fats lies in the fact that oils remain liquid under all temperatures and that fats harden when the temperature falls below 20ºC. Vegetable oils are extracted by crushing seeds and fruits of plants and trees. The crushing process, the extraction of the raw oil, consists of the following stages:

- Pre-cleaning
- Conditioning
- Pressing
- Extraction (with Hexane)

Further extraction takes places through heating and pressing. A further refining process can be applied to suit many different requirements, depending on the objective. The refining process consists of the following steps:

- Get ride of slime (with hot water or condensed steam)
- Treatment with caustic
- Bleaching (by using bentonite)
- Get rid of odour (through steam-destilation)
- Hardening (by using hydrogen and Nickel (as a catalyst))

Emission of substances and solid waste

During the production of oils and fats, several substances are emitted to the air, and waste water is released. The most important substances that are emitted to the air are Volatile Organic Compounds (VOC) and Hexane. Hexane can pollute soil and groundwater and is toxic in high concentrations. Volatile solvents also contribute to smog production. Other substances which are emitted to the air are acetone, esters and ethanol. The most important substances that are emitted with waste water are phosphate and nitrogen. There are also substances which are emitted as a result of the use of energy. This concerns Volatile Organic Compounds, nitrogen oxides, carbon dioxide and sulphur dioxide. These substances contribute to environmental problems like the greenhouse effect and smog production.

Reduction of the emission of substances and improvement of energy efficiency

The reduction of the emission of hexane during the extraction process of the seeds can be obtained through improvement of the production process. The use of energy can be reduced by the implementation of the following measurements:

- Process improvement
- Heat-exchanging (for example heat recovery)
- Improvement of heating facilities (for example hot water instead of steam)
- Improvement of cooling facilities
- Energy management and optimisation
- Co-generation / combined heat and power

Cleaner production methods
The following cleaner production methods have been developed to reduce the emission of hexane:

- Recovery of hexane from scrap
- Recovery of hexane from raw oil
- Recovery of hexane from the mineral oil system
- Process-integrated optimising of the extraction process

Furthermore, far-reaching pressing reduces the emission of hexane. This is only applicable to oil-rich seeds. The possibility for cleaner refining methods consists of physical refining. Refining with nitrogen is a good possibility; the product attains of better quality, but the costs are higher.

Pesticides
Opposition to pesticide use in general, and to certain groups of compounds in particular, increased strongly in the 80s and 90s. Restrictive legislation has come into force, banning the use of many pesticides and restricting the use of several others. Also, costly and complicated registration requirements have been imposed on new compounds. Pesticide legislation has hampered research and development of new ingredients.

International aspects
With the realisation of an environmentally sound crop-protection plan, the substance-oriented approach plays an important role. The harmonisation of the admittance policy within the scope of the European Union is of vital importance. Harmonisation is stimulated by bilateral contacts, in the scope of the European Union and world-wide by the Codex Alimentarius, a co-operation between the UN's FAO and WHO.

International aspects of pesticides residue policy are of great importance to importers and exporters. International harmonisation of residue tolerances and policy is necessary to prevent the restriction of trade. There are two major aspects: the conformity of toxicological judgement of the pesticides involved, and the conformity of the need for the use of pesticides, the conditions of the use and the resulting maximum level of residue. A central role is played by the WHO based on the agreement of toxicological judgement via the Joint Meeting on Pesticides Residues.

This meeting led to the determination of the Acceptable Daily Intake (ADI), the amount of pesticides which humans can ingest daily without any risk to human health.

Natural pesticides
One of the serious problems in organic agriculture is the lack of non-chemical alternatives for pest control. Great scope therefore exists in this field for natural-based pesticides, which appear to be safer both for people's health and the environment. For example, pyrethrum and neem oil and extract, which are supplied by developing countries, are often authorised for use in organic agriculture, even though only in the event of breakdown and not as a matter of routine prevention. Pyrethrum is a flower of the chrysanthemum family, of which the blooms contain six pyrethrin esters that are natural insecticides. The product is rapidly degradable in natural sunlight. The neem tree belongs to the mahogany family. Extracts from its seeds and leaves could make effective insecticides as they attack pestiferous species and are biodegradable. Success, equal to DDT, Dieldrin and other synthetic insecticides, has been reported on coffee pests.

Although the possibilities of natural pesticides seem almost endless, some impediments have still to be overcome before their potential can be fully realised. Firstly, the greatest obstacle may simply be a general lack of credibility, or even awareness concerning what these products are and what they can do. Secondly, the supply may not be as reliable as would be required for their expanded use.

Environmental and consumer health and safety are important for this product group, since the use of cosmetics and pharmaceuticals has to be very safe for the final consumer. Therefore, compliance with additional market requirements might give an added value to the product on EU markets. Like the trend in the food sector, European consumers wish to purchase safe products. As for natural products, product safety is also partly related to the environmental aspects of production (e.g. the use of pesticides). Environmental labels that are gaining importance are the organic production label mainly used in the UK and the international label FSC for (non-timber) products from sustainable forestry. The internationally accepted environmental management system is ISO 14000. Finally, increasing attention is given to the impact of production processes on local environments. In order to encourage 'environmentally sound production', producers made aware of on either 'end-of-pipe' measures or, preferably, preventive pollution measures. AccessGuide contains several documents on this topic.

Certification
Another trend in the market is that more and more innovative companies are requesting organically certified raw material and value added products, especially for the development of new products. There is, therefore, increasing demand for certified raw material and value added products. Another indication of this trend is that more and more conventional

importers and traders receive approval to deal with organically certified material. Regarding the requirements for organic products, please refer to EU Regulations EEC 2092/91 and EC 1804/1999 (see Legislation in Force at http://europa.eu.int/eur-lex/en/search.html), or contact Skal (see Appendix 2.6).

A new development, besides organic certification, is certification based on criteria and principles of the Forest Stewardship Council. In 2001, a Brazilian company earned FSC certification for 80 thousand ha of native forest, where extraction of raw materials for producing medicines and cosmetics takes place.

For more information, please refer to CBI's EU Market Survey "Food Ingredients for Industrial Use" and "*Organic Food Products*".

Social requirements
Besides legal requirements by governments (as dealt with in Section 9.1.1) you might be confronted with social requirements that are more and more requested by EU market parties such as importers, retailers and end consumers. Although they are not part of official legislation, they need to be taken into account by producers in order to be competitive. CBI stresses the importance of social requirements and urges producers to be aware of their contents.

In AccessGuide you can find relevant documents on social standards such as the ILO Conventions which are internationally used as basic social requirements, the universal standard SA8000 and the Fair Trade initiative. In The Netherlands, The Max Havelaar Foundation has a programme for cocoa (certified cocoa butter is for example used in The Body Shop cosmetics).

For more detailed information, please refer to CBI's AccessGuide.

Occupational health and safety
Occupational health and safety requirements have been developed because of the rising concern in Europe about the local conditions in which products are grown and manufactured. Occupational health and safety, being part of labour conditions, is a very important issue when looking at the contents of social standards requested on EU markets.

The production of natural ingredients for pharmaceuticals and cosmetics encompasses various highly differing production processes, from the growing of the natural crops, to the processing into ingredients or the production of cosmetics or pharmaceuticals. Therefore, the associated occupational health and safety aspects vary enormously. In AccessGuide you can find a document specifically on occupational health during the production of natural ingredients for cosmetics and pharmaceuticals.

9.1.4 Packaging, marking and labelling

Directive 79/831/EEC details 'laws, regulations and administrative provisions relating to the classification, packaging and labelling of dangerous substances'.

There are many ways of packaging cosmetic ingredients, depending on the product, the buyer and the legislation. The exporter should reach an agreement with the importer as to which package to use. Products are sometimes repackaged by intermediate traders.

In general, legal requirements for raw materials specify that the following aspects must be indicated on the label:
- of which material it is; and
- from which batch the material comes.

Further, it is highly recommendable to include the following aspects on the label:
- name and address of the producer/exporter;
- net weight; and
- recommended storage conditions.

The overall trend in Europe is towards facilitating re-use and recycling of packaging through incentives. In order to harmonise the different forms of legislation, the EU has issued a directive for packaging and packaging materials (Directive 94/62/EC) in which minimum standards are regulated. Maximum concentrations of lead, cadmium, mercury and chromium allowed in packaging are: 250 ppm and 100 ppm after 30 June 2001.

Most of the time, packaging policy does not affect 'foreign' manufacturers because importers will be held responsible for the packaging. However, sensible marketing requires taking the obligations for the importer into consideration. That means that packaging materials should be limited and re-useable or recyclable. Otherwise the importer will be confronted with additional costs, thus reducing the competitiveness of the exporter.

Cosmetic ingredients transported on wooden pallets tend to be no longer accepted by cosmetic producers due to the susceptibility of these pallets for bacterial infections. Plastic, aluminium or stainless steel pallets are preferred. Oils and fats are generally transported in iron drums.

Information on environmental aspects of packaging can be found at CBI's AccessGuide. Specific information about packaging, marking and labelling of the various products can also be found at the AccessGuide and in the following CBI market surveys: "*Food Ingredients for Industrial Use*" and "*Organic Food Products*". Please refer also to the publication "*Guideline for classification and labelling of essential oils for*

transport and handling" of the International Federation of Essential Oils and Aroma Trades (IFEAT) and to the Internet site of ITC at www.intracen.org/ep.

Product group	General tariff	Tariff for developing countries
Coconut butter, fat and oil (1513)	2.5-12.8	0-6.4
Coconut oil (1513)	2.5-12.8	0-8.9
peanut oil (1508)	0-9.6	0
essential oils (3301)	0-7	0
castor oil (1515)	0-12.8	0-8.9
medicinal & aromatic plants	0-3	0
plant extractives (1301 + 1302)	0-19.2	0-13.4
colouring matter of vegetable or animal origin (3203)	0-2.5	0
seaweed & other algae (121220)	0	0

Source: Internet-site of the Dutch Customs: www.douane.nl/taric-nl, July 2003

9.2 Tariffs and quota

The range of natural ingredients is very wide and it is not possible to give an overview of the EU tariffs for all products. Tariffs on raw materials are generally low, in particular for raw materials originating in developing countries. The box below gives an overview of the tariffs for selected natural ingredients. For a number of developing countries a zero tariff is applied, and a number of countries encounter the special tariff, which is lower than the general tariff.

A form A or EUR I form has to be provided, in case a general tariff is applicable and the exporter from a developing country wants to take advantage of the GSP tariff.

It is very important to realise that this information is more complex than indicated above (because of exceptions and special rules) and that this information is subject to continuous changes. Therefore, this information can only be considered as an indication for the actual situation. For exact and up-to-date information on import duties one should contact the local Chamber of Commerce or Trade Promotion Office. Information can also be obtained from the Chamber of Commerce in Rotterdam, the European Commission or the Customs department. Another option is to consult the Internet-site of the Netherlands Customs where the General Customs Tariffs for all products are listed, including exceptions that are made for import from specific countries. This information, written in the Netherlands language, is up-dated everyday.

Value Added Tax (VAT)

All fiscal borders disappeared in the EU on 1 January 1993. The EU decided at that moment that all VAT (tax levied at the consumption level) rates for natural ingredients for cosmetics should be harmonised at a high level.

Table 9.1 VAT rates applied to natural ingredients for cosmetics in the EU, May 2003 in %

Country	VAT rate
Finland	22
Sweden	25
United Kingdom	17.5
Denmark	25
The Netherlands	19
Belgium	21
Germany	16
Greece	18
Spain	16
France	19.6
Ireland	21
Italy	20
Luxembourg	15
Austria	20
Portugal	17

Source: European Commission Directorate-General Taxation and Customs Union (2003)

For information on VAT rates applied in the member states to natural ingredients for pharmaceuticals, please refer to CBI's EU Survey "Natural Ingredients for Pharmaceuticals".

Useful Internet sites

Netherlands Custom Services
www.douane.nl/taric-nl

Directorate General XXI
http://europa.eu.int/comm/taxation_customs/publications/info_doc/taxation/tva/taux_tva-2003-5-1_en.pdf

Thus far, the previous part of this market survey – Part A – provided market information on the EU market for natural ingredients for cosmetics and on the requirements for market access. The next part – Part B – aims at assisting (potential) exporters in developing countries in their decision-making process as to whether to export or not.

Part B
Export marketing guidelines: analysis and strategy

PART B

How do you get involved in the international marketplace? How much time and money will it take? Should you make exporting part of your business plan? These are common concerns of producers who realise the importance of international trade, but are not sure if exporting is for them. That is what Part C is all about: to help you to evaluate whether to get involved in international business, and learn how to go about exporting.

The first Chapters 10, 11 and 12 aim at assisting potential exporters in the **decision-making process** whether or not to export. By matching external opportunities and internal capabilities, the exporter will be able to identify suitable export products, target countries, market segments, and possible trade channels.

Subsequently, Chapter 13 provides sector specific knowledge and sources to enable the exporter to further investigate what to export, to which markets, through which channels, and at what prices. In other words, which **marketing tools** can be used to build a successful business relationship?

Keep in mind that the export marketing process is integrated; each individual part is inter-linked.

The information provided in the previous parts of this survey is an essential ingredient in conducting the analysis and formulating a clearly targeted export strategy. Where applicable, reference will be made to the concerning sections in Parts A and B.

For general information on export marketing and how to conduct market research, please refer to CBI's "*Export Planner*" and CBI's new manual on market research.

10 EXTERNAL ANALYSIS: MARKET AUDIT

The external analysis assists the exporter to identify market opportunities, suitable sales channels and other relevant external factors.

10.1 Market developments and opportunities

As a first step towards the identification of the most suitable export markets, the exporter needs to research the importance of potential markets and understand the on-going developments that shape the market structure. This should be done by means of a systematic method of market research, involving a preliminary screening of potential markets followed by a more detailed assessment of the targeted markets.

Markets can be researched using primary or secondary data sources. Primary market research means collecting data directly from the foreign marketplace through interviews, surveys, and other direct contact with market participants. Primary research has the advantage of being tailor-made to meet your company's needs and provide answers to specific questions, but this data collection can be very time-consuming and expensive.

For a global scan of the market, most companies make use of secondary data sources such as trade statistics, to focus their marketing efforts. This type of research is a valuable and relatively easy first. Specific market developments as described in Chapters 3, 4, 5 and 6 of this market survey, for instance, can be used as a starting point for your export market research.

Results of the research inform the company of the largest markets for its product, the fastest growing markets, market trends and outlook, market conditions and practices, and competitors and their products. Based on all the information, a company must decide which markets are the most promising.

☛ Although it helps to look at the European market, exporters in developing countries should develop a marketing strategy aiming at markets at national, regional, and international level. While adopting this approach, developing country exporters will not be solely dependent on one market sector. In this way fluctuations in the international market can be buffered by demand in the national and regional market.

Questions that need to be answered:

- Market size: What is the (estimated) market size for your potential export products? Try first to focus on your product group, then on your specific products.
- Market developments: How has the total market volume developed during the last 3-5 years? If there is no information on specific natural ingredient, then try to obtain information on the development of the market for finished products. It is for instance not possible to obtain exact figures on sales of ylang ylang. Still, from the stagnating sales of perfumes, you can determine that the market for ylang ylang in all probability is also sluggish. It must be noted that, for some products, this kind of determination is difficult since those products are not used solely by the cosmetic industry, but also by the pharmaceutical and food industries.
- Imports: How have imports developed during the last 3-5 years? Again, there probably is no specific information on all products available.
- Are importers and potential business partners in the EU interested in new suppliers of your particular products?
- Price development: How have the prices of your product developed during the last few years? Again, there probably is no information on all specific products available.

Where to find information?

ⓘ The market information described in **Part A of this market survey** can be very useful as a starting point for your export market research. Where applicable, the sources for this market information are also mentioned in the specific chapters.

ⓘ For more general information, you can use the EU statistics bureau **Eurostat**: http://europa.eu.int/comm/eurostat

ⓘ For a list of the **European national trade statistics bureaus**, please refer to the Eurostat Internet site.

ⓘ In some cases, trade associations are able to assist you with more specific information on product trends. For a list of **trade associations** please refer to Appendix 2.2.

ⓘ **Trade press**
Useful sources for information on market developments are (international) trade magazines which can be relevant for exporters who want to develop a better insight into the EU markets. Some of the most interesting magazines for exporters of

natural ingredients for cosmetics are:

- Parfums Cosmetiques Actualités (French, with excerpts in English)
- Euro Cosmetics (English, German, French)
- COSSMA (German, English)
- Soap, Perfumery and Cosmetics (English)
- Cosmeticos Nuevos (Spanish)
- SOFW – Cosmetic Ingredients International (German, English)
- CTMS (English)
- Inside Cosmetics (English)
- International Journal of Cosmetic Science (English)
- Manufacturing Chemist (English)
- C&T – Cosmetics and Toiletries (English)
- Happi Magazine (English)

ⓘ **Other relevant sources of information**: Most of the companies that use natural ingredients acquire information on a species' traditional use and scientific validity through literature, database, intermediary suppliers, trade shows, and other outlets in their home countries. Raw material and bulk ingredient suppliers might promote new natural ingredients to finished product manufacturer, or supply ingredients or formulae that manufacturers have identified through the literature as of possible interest.

ⓘ Last but not least, **internet** provides you easily more and more direct market information. In this survey several examples of useful Internet sites are given.

Please refer to Appendix 2.4 for a more extensive list of names and addresses of publishers.

Market access requirements

Quality standards and other non-tariff barriers

Section 9.1 of this survey described a wide array of non-tariff barriers which are applicable to exporters of natural ingredients for cosmetics. It is important to determine which standards and regulations apply to your situation. Not all standards are compulsory or widely recognised by your potential customers.

For exporters of natural ingredients for cosmetics, a compulsory regulation like Cosmetics Directive 76/768/EEC can embody a major obstacle to export to the European Union. Not only general regulations which prohibit the import of certain substances, colorants or preservatives, but also the costs of inspection at the border could represent a major barrier.

What is more, many European importers entering into a co-operation agreement with an African, Asian or Latin-American company introduce their own quality system. Regarding quality standards, an exporter should distinguish between product quality standards (GMP) and management quality standards (ISO 9000 and ISO 14000). Legislative requirements and GMP are even more important than ISO, since those requirements often determine whether or not the European importer decides to enter into a relationship. In some cases, the importer will assist the exporter with product adaptations so that traded products comply with European requirements.

Since importers face an additional cost factor in establishing the GMP documentation in Europe, they prefer ingredients accompanied by the necessary documentation. Therefore, exporters in developing countries need to develop or acquire technologies necessary to improve quality control in cultivation, harvest, post-harvest and transport. In other words, the implementation of the appropriate GMP will be necessary in order to better compete in the international market.

Currently, many countries including the United States, Australia, Japan and the members of the European Union require ingredient disclosure on cosmetic products. Furthermore, the majority of these countries requires that the ingredients be listed using the International Nomenclature for Cosmetic Ingredients (INCI) system. Companies distributing natural cosmetic ingredients should include a listing of ingredients on their products.

Keep in mind that regulations and standards can change from time to time. Therefore, it is recommended to check the up-to-date situations with importers or the relevant organisations.

Questions that an exporter should answer are:

- What standards are set on the quality of products?
- What standards on the quality of your company (ISO)?
- To what degree do Cosmetic Directives apply to the products?
- Especially in the case of medicinal plants that is collected from the wild, it is important to check if CITES regulations apply.
- What is the importance of environmentally sound production methods?

Where to find information?

ⓘ In Sections 9.1 of this survey, you can find information on quality standards; trade-related environmental, social and health & safety issues; and packaging, marking and labelling. This section also provides Internet-sites like CBI's AccessGuide which can be of assistance in obtaining product specific information.

ⓘ Other potentially useful information sources are colleague exporters and European importers.

Tariff barriers

In Section 9.2, current tariffs on imports of ingredients for cosmetics was dealt with. Exporters should not only look at the current tariff, but also consider whether the tariff will remain the same for the coming years. It is also important to bear in mind that changes in the level of import tariffs applicable to other countries may influence your competitive position.

Questions that an exporter should answer are:

- Are there import restrictions that limit sales opportunities?
- Which import tariffs apply to your export products?

Where to find information?

Refer to Section 9.2, for information on applied import tariffs. This section also provides Internet-sites that are helpful to find product specific information.

10.2 Competitive analysis

Generally, competitors and their pricing will have a direct effect on the potential of your trade opportunities. It is, therefore, important to learn more about your competitive environment.

As an initial step towards understanding your competition better, you should prepare a list of all the competition and then pinpoint who your main competitors are. To learn more about competition you can do secondary research study by asking customers and suppliers for their opinions. You can also prepare a list of your main competitors' strengths and weaknesses.

Constantly check with customers and suppliers to see if they have heard of any new businesses. These sources may also give you some insight into where and how the competition is selling its products. Which trade channels are used by your competitors, and why?

Useful information can also be found in this survey: Chapter 4 gives you insight into production of natural ingredients in the EU; Chapter 5 describes the major suppliers from outside the EU.

Trade shows can of course be helpful for gaining contact with new customers and learning about market developments. They can however also be used for finding out more about competition. Take the time to attend industry trade shows to check out your competition.

In many cases, suppliers of ingredients for cosmetics in developing countries benefit from their climatic conditions, labour costs, costs of raw material, costs of land etc. This is often one of the most important factors that positively distinguishes your company from competitors in other countries, particularly from competitors in Europe. Other positive factors already mentioned in the previous section are low or zero import duties.

Other factors can weaken your competitive position. European companies for instance have the advantage of being, both in a geographical and cultural context, close to their customers, which in general makes marketing of products and communication easier. Another important difference is the fact that processing technology and input is readily available to European companies.

Suppliers of ingredients of cosmetics in other developing countries also represent an important group of potential competitors. You can find useful information in Chapter 5 of Part A on product streams originating in these countries. Furthermore, several weak points of ingredient producing companies in developing countries, that have to compete with better organised companies in the world are given in the internal analysis of Chapter 11.

☛ Please note that, although it is always good to observe your competitors, in case of ingredients for cosmetics often a partnership between exporters is recommended. Because demand is larger than supply, exporters can together keep the prices high. Moreover, a partnership can lead to better logistic systems, better purchasing conditions for packaging, combined promotion actions, lobbying etc.

Important questions to be answered are:

- How many suppliers are currently active in the market?
- Who are your main competitors? What are their strengths and weaknesses compared to your company?
- To what degree is the sector in the target market supported by the local government?

10.3 Sales channel assessment

☛ *The information provided in Chapter 7 of Part A should be used as a starting point.*

Having assessed the prospective markets and market segments, it is now also important to understand the trade structure and supply chains supplying these market segments. After the assessment of the exporter's capabilities (next chapter), the exporter is able to determine the most suitable sales channel.

In the case of natural ingredients for cosmetics, the following channels are relevant:

- Raw material and bulk ingredient suppliers might promote new natural ingredients to finished product manufacturers, or supply ingredients or formulae that manufacturers have identified through the literature as of possible interest.
- Many natural personal-care companies have grown out of strong personal interest in natural ingredients on the part of the founder (e.g. Ales Group, Aveda, The Body Shop, Yves Rocher, Rainforest Nutrition). This often translates into continued interest and involvement in new product development, including field trips to collect samples for further study in the company's laboratory (ten Kate & Laird, 1999).
- Large companies with screening programmes sub-contract brokers, research institutions, and other intermediaries. These intermediaries collect samples in a similar way as for the pharmaceutical industry, but with greater emphasis on traditional use, and an eye towards raw material sourcing strategies, which are of immediate concern to companies in the personal-care and cosmetics industry.
- There are also specific research and training centres specialised in extraction and purification processes, offering services to companies involved in the food industry, pharmaceuticals and cosmetics (e.g. Archimex in France).
- On the one hand, most companies say they cannot obtain satisfactory details on the origin of raw materials. Many do not consider this important, however, as long as the material meets their specifications and price requirements (ten Kate & Laird, 1999). On the other hand, however, joint ventures or other forms of partnership are popular. This became clear from the CBI's Export Promotion Programmes in 1995 and 1997, in which a number of exporters in developing countries were promoted at the IN-COSMETICS the trade fair. A substantial number of visitors to this event was interested in representing a CBI-supported exhibiting company.

When deciding whether to market indirectly or directly, exporters should consider the following factors: size of your company, nature of your products, previous export experiences and expertise and foreign market conditions. The two types of trade relations can both be found in the international natural ingredients industry.

Important questions to be answered are:

- Which potential sales channels exist?
- Which products do the different sales channels trade?
- What are the most important requirements of the identified sales channels? What are the conditions for an exporter to take part in a specific supply chain?
  - What quality standards do the sales channels demand?
  - What kind of packaging is used in the various sales channels?
  - What are the requirements concerning production process (environmental, ISO, GMP, etc.)?

Where to find information

ⓘ Refer to Chapter 7, and Section 7.2 in particular, for information on potential sales channels.

ⓘ To get in touch with an European partner (for a joint venture for example) it is recommended to contact a local embassy of the country you want to export, the local European delegation, a local Chamber of Commerce or Export Development Board. These organisations can also give you information on when trade delegations from the EU are visiting your country. Direct match-making is also possible through for example the CBI News Bulletin, in which you can offer products and proposals.

ⓘ Again, customers, importers or colleague exporters are useful information sources!

10.4 Logistics

When transporting products overseas, the exporter ideally looks for the fastest and most efficient mode(s) of transportation that will deliver the product in perfect condition at the lowest possible costs. The actual selection will be a compromise among these factors.

In the case of natural ingredients for cosmetics, three types of international transportation can be recognised: ocean cargo, air cargo and truck cargo.

- Ocean transportation takes longer than airfreight, but the costs of transportation are usually lower. This kind of transportation is most suitable for dried raw materials and for a number of oils.
- The cost for moving products by air tends to be higher than the cost of ocean transportation. This type of transportation is used for value added products, such as essential oils and extracts.

- Truck cargo in the EU can only be used for imports from nearby located countries such as Turkey, Balkan and other countries in Eastern Europe, and Morocco. Different options of formats etc. exist for this method of cargo.

Freight rates also vary depending on the product being shipped, its value, level of service provided, destination, weight, and seasonal variations in demand for cargo space. Please pay attention to which system is being used: the metric system (used in most EU countries) or Anglo-American (used in the United Kingdom).

Freight forwarders
It is a good idea to use a freight forwarder to arrange transportation services on your behalf. They can simplify the shipping process because they are familiar with import and export regulations. It is important to use a forwarder that is experienced in handling natural ingredients or other perishables, as well as one that is experienced in the destination country. Freight forwarders can also assist you in handling all the documents. Freight forwarders are cost effective to use, because they can negotiate the best rates with airlines. They usually operate on a fee basis paid by the exporter, and these are part of the cost price.

Cold chain
Cold chain is required for a limited number of products (fresh plant material or special plant extracts, mostly used for intermediate products of Aloe vera). Critical point of interest regarding transport, just as during storage, is proper refrigeration. In handling perishable products, maintaining a cold chain is a major logistical issue. It determines for a large part the quality of the product as it arrives at the destination. The saying is "one hour lost in departure to being refrigerated will be one day less for the sale in the destination". Check whether you and your freight forwarders are able to manage the cold chain. Make use of temperature recorders to check whether your products travel in optimal climatic conditions during their entire voyage. A reliable freight forwarder with a cold store at the airport or good management of the temperature in the containers is recommended to keep the cold chain in control.

Packaging
Packaging is used for hygienical purposes and to protect against mechanical damage. It is an essential factor in determining the product's quality. However, according to the way in which packaging sometimes is applied in developing countries, it can also be a risk to quality, due to bruising and less than optimum conditions of temperature.

The packaging has to satisfy conditions in the field of handling. The transportation volume must be as efficient as possible and a high level of uniformity is desirable. Packaging design should take the following into account:
- Proper storage and transport;
- Standard packaging sizes;
- Recyclable materials or two-way systems.

Points of interest when choosing the right packaging:

Have your customers ever complained about the quality of your products?
Look for possible causes:
- ❏ Unsuitable packaging material (avoid unnecessary re-packing by the customer)
- ❏ Insufficient cooling during transport
- ❏ Too many damaged boxes on arrival
- ❏ Differences in weight mentioned and real weight
- ❏ Other causes

In the case of marine transport, different kinds of products shipped together in one container should have compatible:
- ❏ Temperature needs
- ❏ Relative humidity needs
- ❏ Airflow characteristics

Does your importer use special transport packaging?
- → Perhaps you could use this special transport packaging as well? Using the wrong packaging size can have a negative effect on your business.
- → Maybe you could make use of the importer's packaging know-how.

Fully recyclable packages must be used when trading with certain business partners.
- → Colouring materials, used for printing, should not be harmful to the environment.
- → Do not use metal clips for the cartons.
- → Avoid waxed boxes or any combined packaging materials

Documentation
Producers, traders and processors of medicinal and aromatic plants, should comply with the GMP guidelines. They should document their products by a waybill (batch documentation) and demand that their partners also adhere to these requirements.

☛ In Section 9.2 several methods of packaging for different natural ingredients are described. The exporter should always discuss the preferred type of packaging with his European trading partner or organisation.

Important logistic questions to be answered are:

- How often does the sales channel require delivery? What cycles of delivery does this channel require? Are you able to deliver this often?
- What lot sizes does this sales channel demand? What lot size are you able to produce?
- What formalities does the sales channel require to be handled by the exporter?
- What are the typical costs of logistics? (Check with freight forwarders)
- Is it profitable to co-operate with other exporters?

Where to find information:

ⓘ Airfreight forwarders and air carriers are the best sources for obtaining freight rates. There are also companies that specialise in publishing air cargo tariffs. These publishing companies charge a fee for their services.
ⓘ International Federation of Freight Forwarders Association (FIATA): http://www.fiata.com
ⓘ Directory of Freight Forwarding Services: http://www.forwarders.com
ⓘ International Air Transport Association (IATA): http://www.iata.org
ⓘ Extensive lists of freight forwarders can be found at: http://www.cargoweb.nl and http://www.shipguide.com

10.5 Value chains

The value chain covers the full range of activities required to bring a product from its conception to its end use and beyond, such as research and development, raw material supply and all activities of production, marketing and sales to international buyers, and beyond that to disposal and recycling. Activities that comprise a value chain can be contained within a single company or divided over different companies, and can cover a single geographical location or be spread over wider areas.

The value chain approach is a systematic approach for designing strategy with respect to buyer requirements and market conditions (market access regulations, standards and consumer preferences) that a company has to conform to, in order to gain access to a market and be competitive.

The value chain approach builds upon sustainable supply chain management, by providing a framework to:
- improve efficiencies within the existing supply chain (thereby enhancing sector competitiveness);
- capture and retain a higher proportion of the product's final market value within the existing value chain;
- increase the sector's added-value by establishing new value chains within the sector;
- improve the sector's contribution to development objectives.

From a company perspective, the value chain approach offers more than a theoretical concept. It is a very practical tool for analysing linkages in the supply chain and for accessing potential for capturing, retaining and adding value to the company's product, keeping in mind its final user.

Guiding value chain analysis at company level
a. Try to note all the steps required to progress from raw materials to end-users.
b. Make this list as detailed as possible since one of the objectives of value chain analysis is to understand where, when and how to simplify or adjust the chain.
c. Determine the value each step adds to the final product from the point of view of the end user.
d. Once this chain is clear you can explore avenues to increase your profitability as well as increase the benefits to the end user; for example:
   → identify which steps can be combined to more efficiently add value;
   → determine which steps are not adding any value but just adding costs;
   → determine better communication flows in both directions to assist rapid change to market factors;
   → determine your own "value niche" along this chain.

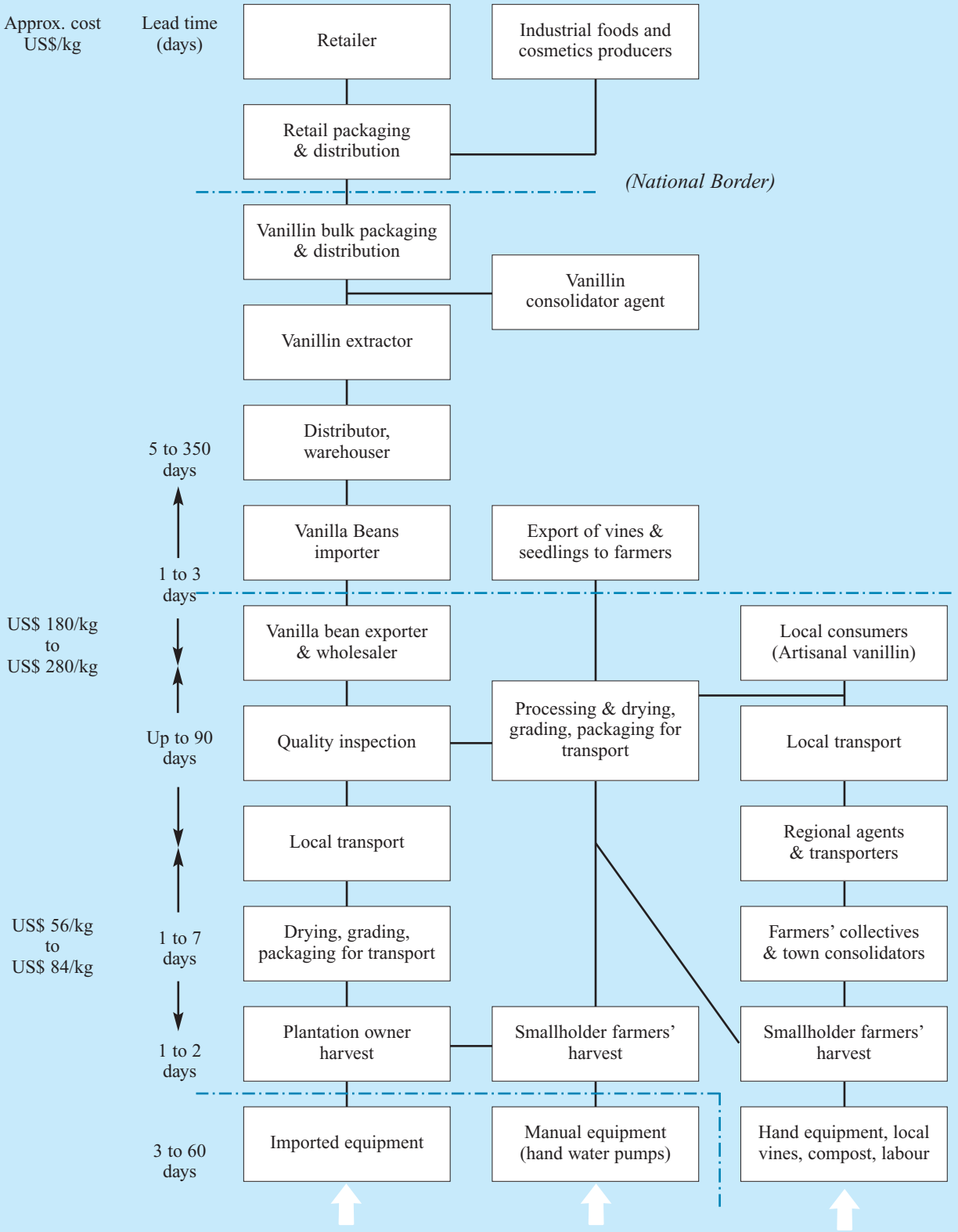
It is important to understand where you, as a processor, fit into the supply chain, to ensure that the value you add continues to be important both for your direct customers as well as you customers' customers. The value chain can be a useful tool to help in this process.

As an example, Figure 10.1 shows the value chain for Ugandan organic vanilla and vanillin has been adapted from ITC. Vanilla and vanillin are used in the food industry as well as in the cosmetic industry. The figure

illustrates each link in the value chain, its function, and its linkages with prior and subsequent stages. Moreover, it shows exactly how much value is added at each stage.

With such an overview, one can determine one's function in the value chain and, if possible, improve one's competitive position in the value chain.

Figure 10.1 Value chain for Ugandan organic vanilla and vanillin



Source: Ian Sayers, International Trade Centre (UNCTAD/WTO), Geneva
Note: Exports of uncertified organic vanillin from Uganda amount to approximately US$10 million.

Costing and pricing in the value chain
Also shown in Figure 10.1 is the value addition at the various stages of the supply chain. The added value could be analysed by deducting all costs from the market prices. As is also clear from the Figure, prices paid for materials increase significantly along the value chain. This analysis requires involvement of all stakeholders in the supply chain, in order to be able to identify proper cost and price calculation. Only if there is transparency at the different levels, will it be possible to determine fair costing and pricing, which in turn will enhance awareness and importance of the potential for value addition in the supply chain, and thus the potential for sector development in a national context.

Critical factors for building a competitive advantage
The presentation of success stories by entrepreneurs in developing countries highlighted the following as **critical factors** for building a competitive advantage:
- Increasing the range of products and identifying market demands.
- Cost and price calculation on the basis of a business plan.
- Putting the emphasis on the quality of the product, and exercising strong control on the tracking and tracing of products.
- Introducing the use of new technologies.
- Promoting involvement and loyalty of staff, as well as integration into the life of the local community.
- Co-operating with buyers, in order to obtain necessary pre-financing, technologies or packaging.
- Reducing the number of middlemen.

☛ Factors that contribute to **success** are: niche products for niche markets, moving up the value chain through R&D and processing, responding to the ever-rising demand from consumers for higher quality standards, or shortening the distribution chain to capture a greater market share.

Please also refer to Chapter 8 and Section 13.3 for information on developments of prices and price setting.

For more information about the value chain approach, see e.g.
http://www.tradeforum.org/news/fullstory.php/aid/529

10.6 Product profiles

Next tables list the product profiles of 2 important natural ingredients for cosmetics: shea butter and castor oil.

PRODUCT PROFILE SHEA BUTTER

1. Product name: Shea butter INCI[1] name: *Butyrospermum parkii*

2. Market requirements:
Quality standards:
A standard analysis for oils and fats is required by importers. This analysis includes a check of colour, acid value etc.

Minimum labelling:
Legal requirements for raw materials specify that the following aspects must be indicated on the label
- product name
- of which material it is, and
- from which batch the material comes.

Deliveries must be accompanied by a Material Safety Data Sheet (generally handled by the importer).

Further, it is strongly recommended to include the following aspects on the label:

3. Market structure:

Export price:
ca. US$ 2/kg

Main markets:
The main European importers are France and Germany, followed by the UK.

Market trends:
There is increasing demand for shea butter from the cosmetic industry. It is used as a substitute for cocoa butter.

4. Main suppliers:

The leading supplying countries of shea butter are Mali, Burkina Faso, Benin, Senegal, Ivory Coast, Ghana, Gambia, Nigeria

continued

continue shea butter

- name and address of the producer/exporter;
- net weight; and
- recommended storage conditions.

Packaging:
Packaging of shea butter takes place in drums or in cardboard boxes. The covers of the drums should be wide. Drums with narrow covers are not appropriate for fats. Packaging size is 25-50 kg.

Import regulation:
Relevant import documents:
- EUR 1 form for ACP countries
- FORM A for other developing countries

5. How to improve the quality:
Harvesting of shea nuts occurs during a long period. The harvest is often not stored and lies uncontrolled in the sun, negatively impacting the quality of the raw material. Quick pre-processing is necessary. Shea butter should be stored and transported under cool, dry and dark conditions.

[1] International Nomenclature Cosmetic Ingredients

PRODUCT PROFILE CASTOR OIL

1. Product name: castor oil INCI name: *Ricinus communis*

2. Market requirements:
Quality standards:
Standards include general criteria for oils dependent on the oil status (crude or refined).

Minimum labelling:
Legal requirements for raw materials specify that the following aspects must be indicated on the label
- product name
- of which material it is; and
- from which batch the material is.

Deliveries must be accompanied by a Material Safety Data Sheet (generally handled by the importer).

Further, it is strongly recommended to include the following aspects on the label:
- name and address of the

3. Market structure:
Export price
(Public Ledger, April 10, 2000):
Prices are still rising. Price level depends on quality of the oil.
Any origin ex-tank Rotterdam: US$ 1060/tonne (spot); Commercial FOB Kandla US$ 940/tonne (May/June, 2000); First special grade FOB Kandla US$ 960/tonne (May/June, 2000).

Market trends:
The main European importers are Germany and France, followed at a distance by The Netherlands.

Early 1999, European oilseeds and technical oils traders claimed that Indian speculators were trying to push world castor seed and castor oil prices up by a constant talk of desperate shortages. While acknowledging the

4. Main suppliers:
The leading producers of castor oil are India, China and Brazil.

India's two main competitors are today lagging far behind in castor seed production, on account of adverse weather and a discernible shift in cultivation to other cash crops like soya beans and coffee.

continued

continue castor oil

producer/exporter;
- net weight; and
- recommended storage conditions.

Packaging:
Castor oil is shipped in standard 200-220 litre iron drums, containing approximately 180 kilograms of oil.

The producer is responsible for correctly sealing the containers and ensuring that the containers have adequate air-space between the surface of the oil and the top of the container. Although the use of second-hand drums is widely accepted for a number of oils, the importance of thorough cleaning to remove all trace of impurities which would affect the smell character of the oil, and of ensuring that epoxy-resin linings are intact and not cracked, cannot be overstated.

Import regulation
Relevant import documents:
- EUR 1 form for ACP countries
- FORM A for other developing countries

crop shortfalls in India and the crop failure in Brazil in 1998, as well as large purchases by China, traders in Europe said the global supply situation was not as bad as some Indian traders were making out.

5. How to improve the quality:
Harvesting of castor seeds occurs during a long period. The harvest is often not stored and lies uncontrolled in the sun, negatively impacting the quality of the raw material. Quick pre-processing is necessary. Castor oil should be stored and transported under cool, dry and dark conditions.

11 INTERNAL ANALYSIS: COMPANY AUDIT

The internal analysis or company audit is a review of the company's strength and weaknesses in terms of all company resources such as export marketing capabilities, finance, personnel, internal organisation, management, infrastructure, etc. As a result of this internal analysis, you will be able to assess to which extent your company is able to take advantage of the opportunities identified in the former chapter. Furthermore, with a thorough understanding of your company's unique capabilities, you are able to invest in opportunities that exploit your strengths.

11.1 Product range

A product range can consist of several product groups (range width), each with several different products (range depth). Again, one product can consist of several varieties (see example).

A supplier can only select a suitable business partner when armed with correct information about the range that he or she is able to offer. A precise review of the product range, therefore, aims at matching products on offer with market opportunities. Keep in mind that varieties are sometimes known under different trade names overseas.

Example of a company's product range

Product range (range width)	Products (range depth)	Variety
Vegetable oils and fats	Sapotaceae	shea butter (Butryospermum parkii)
Etc.		

The next step is to review product characteristics of the products and varieties on offer.

Example of product characteristics

Product	Main uses	Supply period	Packaging
Shea butter	The high allantoic content in the butter also makes it a useful base for local pharmaceutical preparations. The butter is also used to make soap and, in the construction industry, it is used on the walls of houses to prevent them from being washed away during the rainy season.	between April and November	Packaging of shea butter takes place in drums or in cardboard boxes. The covers of the drums should be wide. Drums with narrow covers are not appropriate for fats. Packaging size is 25-50 kg.
Etc.			

Questions an exporter needs to answer:

- Which products are you currently producing? How comprehensive is your product range?
- Which products do you consider to be the main products you are specialised in?
- What new products would you be able to cultivate / produce?

11.2 Product standards, quality, USPs and production capacity

In understanding your own company, it could be very helpful to develop a Unique Selling Proposition, or USP. Your USP is what differentiates your product or service from your competitors. Your chances in the market greatly increase when you have a USP!

There are two major benefits in developing the USP. First, it clearly differentiates your business in the eyes of your current and potential customers or clients. Second, it focuses your staff on delivering the promise of the USP, thus helping to improve your internal performance.

What a USP could look like:

- One sentence.
- Clearly written, so that anyone can understand it.
- It should be believable.
- Composed of one benefit that is unique solely to your company or product.

How to develop your USP?
Sit down with a notebook and:

- Brainstorm.
- List all the benefits your company or product can offer.
- Prioritise those benefits in order of what is the strongest, and most unique to your business.
- Write one sentence that conveys the first benefit on the list.

☛ Thinking about what happens with your export product, after the importer has received it, can help you bring to new ideas.

Quality
Quality is probably the main competitive factor in every business. It is an absolute requirement for European importers to receive natural ingredients for cosmetics that comply totally with EU regulations. It is therefore obvious that it is also the key issue when looking for suppliers in developing countries.

☛ Products originating in developing countries should be produced hygienically and with care. Microbiological load should be minimised and the negative effect on ingredients in the course of cultivation, processing and storage should be limited.

Also mentioned in Section 10.1, quality refers not only to product quality, because management quality is just as important. Documentation according to GMP and ISO 9000.2000 is a must, because importers of natural ingredients will have to channel the ingredients into their GMP systems. Notably, documentation reflects costs and addition of value.

Check your current quality standards with the voluntary and compulsory standards described in Section 9.1. Also refer to Chapters 9 and 10 for information on the importance of the various quality standards for your product-market combinations.

Questions an exporter needs to answer:

- What quality standards does your product and production process comply with?
- What is the general level of your product quality compared to other products in the identified market?
- In case environmental labelling could significantly improve the competitiveness of your export product, which one is the most interesting for your situation?

Production capacity
The foreign buyer is seldom looking for a 'spot' purchase. Instead, he is looking for a quality product at a fair price with continued availability. If you are merely seeking to market your sporadic surplus capacity, then the entry into the foreign trade market will probably be a disappointment. On the other hand, if the company is willing to devote even 10 percent of its production capacity to foreign markets and the servicing of these accounts, it can reasonably expect to build substantial and permanent trade in those markets suited to its products.

☛ However, keep in mind that often, the volume of the product marketed is not as important as a consistent and reliable supply of the actual product.

Questions that need to be answered:

- How efficiently is the present capacity being used?
- Will new export activity hurt domestic sales?
- Is it possible to expand your production capacity if necessary?
- What will be the cost of setting up additional production capacity?
- Is it possible to produce more efficiently and have less spoilage of raw material?
- Is it possible to keep out of seasonally of your natural ingredients?
- What cycles of production apply to your products and how does this match up to the demand in the target market?

11.3 Logistics

It is a good idea to use a freight forwarder to arrange transportation services on your behalf. They can simplify the shipping process because they are familiar with import and export regulations. It is important to use a forwarder who is experienced in handling natural ingredients, as well as one that is experienced in the destination country.

Freight forwarders are cost effective to use, because they can negotiate the best rates with airlines. They usually operate on a fee basis paid by the exporter, and these are part of the cost price.

Questions that need to be answered:

- How often are you able to deliver?
- What lot sizes do you generally produce or are you able to produce?
- Are there cold-room facilities at your production base?
- Are you able to maintain a cold chain during the transportation of the products? (air-conditioned domestic transport, cold-room facilities at the airport)
- What are the typical costs of logistics? (Check with freight forwarders)

11.4 Marketing and sales

How do you sell to current export markets? What works in one European market is likely to work in another, subject to refinement based on market intelligence and knowledge about specific trade channel requirements.

What existing contacts does the company have in the target markets - relatives, friends, suppliers, etc? It is an advantage to have some local presence in the target market that can gather information, monitor progress and follow up leads.

A serious export marketing campaign requires substantial management time to execute it properly. Therefore, the company needs to be realistic as to how much time can be devoted to export marketing.

More information on how to make use of your marketing tools to foster your export activities will be described in Chapter 13.

Questions that need to be answered:

- Does your company have people specifically assigned to marketing and sales activities?
- Which persons do you know in the target markets?
- What sales support material is available?

11.5 Financing

Export marketing is expensive. If financial resources are limited, then marketing plans will have to be modest. It is not sound to develop five new markets if the company only has the money to develop one.

Financing is often necessary for product and process adaptation to EU standards. Often domestic products cannot be exported unchanged. The extent to which the exporter will modify products sold in export markets is a key policy issue to be addressed by management. If the exporter produces more than one product he should choose one that is nearest to the target market requirements and progress from there.

Local banking systems in developing countries are sometimes insufficient to handle exporting. It is therefore recommended to use an international bank, which is also located in the importing country. Moreover, this will also simplify the payments between you and your business partner. Each country has a list of their local banks with their corresponding banks in other countries or special relationships with financial institutes outside their country. Choosing the right bank can facilitate and speed up money transfers considerably.

For methods and terms of payments please refer to paragraph 13.4 *Handling the contract.*

Questions that need to be answered:

- What amount of money can be allocated to setting up new export activities?
- What level of export operating costs can be supported?
- How are the initial expenses of export effort to be allocated?
- What other new development plans are in the works that may compete with export plans?
- Is outside capital necessary to support efforts?

☛ A proper marketing strategy for natural ingredients takes into account current issues in the trade such as Good Agricultural Practices or Good Manufacturing Practices (providing guidelines for cultivation, harvest, processing, packaging and storage) and CITES regulations on certain protected species.

☛ Although it helps to look at the European market, developing country exporters should draw up a marketing strategy aiming at markets at national, regional, and international level. While adopting this approach, developing country exporters will not be solely dependent on one market sector. In this way, fluctuations in the international market can be buffered by demand in the national and regional market.

11.6 Capabilities

Commitment to export
It is important to consider whether or not the company has staff who are able to sell and develop an international business. The company should be able to generate the physical and administrative infrastructure to deal with increased activities related to exporting - not only in dealing with orders but also with processing Customs and shipping documentation. If this type of infrastructure is limited, then it is a weakness in developing sustained export activities.

Questions that should be answered are:

- What kind of commitment is the top-level management willing to make to an export effort? How much senior management time should be allocated? How much could be allocated?
- What organisational structure is required to ensure that export sales are adequately serviced? Who will be responsible for the export activities (export department's organisation and staff)?
- What are the management's expectations of the effort?

Export experiences
It is important to learn from past experience. If the company has tried and failed to penetrate an export market previously, this can be analysed to determine where things went wrong.

Questions that should be answered are:

- In which countries has business already been conducted?
- From which countries have inquiries already been received?
- What general and specific lessons have been learned from past export experience?

Language skills
When dealing with European trade partners in the natural ingredients for cosmetics business, English is the most used language. Although most European trade partners will not be native speakers themselves, the vast majority speaks English fluently. In almost all cases, foreign language skills, particularly English, are essential when entering the European market. When dealing with France, knowledge of the French language is a distinct advantage. If you can communicate in Spanish, you have a competitive advantage if you address the Spanish market.

On the few occasions when correspondence and documents in English will not suffice, exporters can usually find sources of translation capabilities for the more popular European languages. Language capability can be advantageous since it facilitates cultural and social relationships.

Questions that should be answered are:

- Which language skills are necessary when dealing with your selected markets?
- Which language capabilities are available within the export company?

12 DECISION MAKING

Answers to the questions mentioned in Chapters 10 and 11 can help an exporter not only to decide whether or not to export but also determine what methods of exporting should be initially used.
A SWOT analysis can be used as a tool to analyse the identified opportunities and threats and the company's identified relative strengths and weaknesses. Carrying out an analysis using the SWOT framework helps an exporter to focus his activities into areas where he is strong and where the greatest opportunities lie. It should be noted that the matrix included in Section 12.1 should be treated as an example and that it should be adapted to the exporter's own situation.

Questions that should be answered:

Strengths:
- What are your advantages?
- What do you do well?
- What relevant resources do you have?
- What do other people see as your strengths?

☛ Consider this from your own point of view and from the point of view of the people you deal with. Do not be modest, but be realistic. If you are having any difficulty with this, try writing down a list of your characteristics. Some of these will hopefully be strengths.

☛ In looking at your strengths, think about them in relation to your competitors. For example, if all your competitors provide high quality products, then a high quality production process is not a strength in the market, it is a necessity.

Weaknesses:
- What could you improve?
- What do you do badly?
- What should you avoid?

☛ Again, consider this from an internal and external basis: Do other people seem to perceive weaknesses that you do not see? Are your competitors doing any better than you? It is best to be realistic now, and face any unpleasant truths as soon as possible.

Opportunities:
- Where are the good opportunities awaiting you?
- What are the interesting trends you are aware of?
- Useful opportunities can come from such things as: changes in technology and markets on both a broad and narrow scale, changes in government policy related to your field, changes in social patterns, population profiles, lifestyle changes, etc.

☛ A useful approach to looking at opportunities is to look at your strengths and ask yourself whether these open up any opportunities. Alternatively, look at your weaknesses and ask yourself whether you could open up opportunities by eliminating the weaknesses.

Threats:
- What obstacles do you face?
- What is your competition doing?
- Are the required specifications for your job, products or services changing?
- Is changing technology threatening your position?
- Do you have bad debt or cash-flow problems?
- Could any of your weaknesses seriously threaten your business?

☛ Carrying out this analysis will often be illuminating - both in terms of pointing out what needs to be done, and in putting problems into perspective.

☛ You can also apply SWOT analysis to your competitors. This may produce some interesting insights.

☛ **Simple rules for successful SWOT analysis**

- be realistic about the strengths and weaknesses of your organisation.
- analysis should distinguish between where your organisation is today, and where it could be in the futures.
- be specific. Avoid grey areas.
- always analyse in context to your competition i.e. better then or worse than your competition.
- keep your SWOT short and simple.

12.1 SWOT and situation analysis

A SWOT analysis is a framework for analysing strengths and weaknesses, the opportunities and threats an exporter is facing. This will help an exporter to focus on his strengths, minimise weaknesses, and take the greatest possible advantage of opportunities available. A SWOT analysis is just one of many good techniques that can help an exporter to build a strong competitive position for his organisation. An example of a SWOT analysis for an exporter of natural ingredients for cosmetics in developing country is given in the next table.

Table 12.1 Example of a SWOT analysis for exporters of natural ingredients for cosmetics in developing countries

INTERNAL FACTORS

Strengths
- Access to natural resources
- Low raw material prices
- Low labour costs
- Low or zero import duty
- Long tradition in using ingredients
- Sustainable supply chain management
- Human resources
- Active Business Support Organisations
- Established legal framework for GMP
- Important contribution to the supply of national and regional consumer products
- Value addition at the origin

Weaknesses
- Entrepreneurial capacity
- Negotiation skills
- Language and communication
- Certification
- Lack of marketing knowledge
- Lack of knowledge of supply
- Limited knowledge of properties of medicinal plants beyond traditional knowledge and belief
- Limited knowledge of intellectual property rights
- Lack of information on regulations, prices etc
- Low level of organisation in the industry
- Access to finance / banking systems

EXTERNAL FACTORS

Opportunities
- Shortage supply and high demand in Europe
- Enlargement of EU
- Markets open to limited natural resources
- Rural income generation through sustainable sourcing including wild collection, cultivation and forest management
- UN guidelines for cosmetics and pharmaceuticals are implemented through national and regional laws
- The same global rules for production and processing on the basis of WHO guidelines

Threats
- Entrance of East European countries to the EU
- Tariff barriers
- Technical trade barriers
- High investments needed
- Over-collection
- Sustainable use of the raw materials (biodiversity)
- Globally applied guidelines are promoting strong competitive development of national and regional markets regarding export to Europe.

Within the SWOT figure, a distinction can be made in the SWOT figure between internal factors (strengths and weaknesses) and external factors (opportunities and threats). Nevertheless, factors of sectoral and of company level are both found under the internal factors in this figure. For example, "lack of marketing knowledge" and "low level of organisation of the industry" are both internal factors, although the first is at company level and the latter at sectoral level.

Such an analysis should be adapted to your personal circumstances since the factors differ for each exporter in the world. While for one exporter of natural ingredients for cosmetics "negotiation skills" is a weakness, for another exporter this problem does not exist.

Please note that also within a company a threat or weakness can change into an opportunity or strength. A good example concerning this matter is "technical trade barriers and new regulations imposed by the EU". The regulations can be a threshold for exporting to the EU. However, when an exporter has adapted the export product to EU standards, he will have access to the EU market. In this way, the factor of technical trade barriers can be seen as an opportunity instead of a threat.

Be aware that success in export is by no means guaranteed by taking into account all the factors mentioned so far. Your environment consists of other critical conditions and success factors, that are often more difficult to influence as an individual company, than changing for example internal factors. Some of the critical conditions such as low level of organisation in the industry and financing have already been included in the figure above. However, other factors (sector-specific) should also be included in the SWOT analysis are:

- sector policies;
- availability of sector/branch organisations;
- clustering/co-operation within the sector, organisation of supply and production, value chain management (please also refer to Section 10.5);
- know-how and technical assistance;
- foreign trade assistance;
- financing.

☛ Inquiring of local business support organisations or colleague exporters can be a good starting point in being aware of other critical conditions for successful exporting.

12.2 Strategic options and objectives

Through of conducting the external analysis (market audit) and internal analysis (company audit) (Chapters 10 and 11), you will be able to come to a decision whether or not to export.

- ☑ You have identified products suitable for export development. Also, you know what modifications, if any, must be made to adapt them to overseas markets.
- ☑ You know what countries and market segments you are going to target for sales development and/or co-operation agreements.
- ☑ You have identified the best sales channel (direct exporting or co-operation agreements).
- ☑ You know what special challenges pertain to the selected markets (competition, import controls etc.) and what strategies you will use to address them.

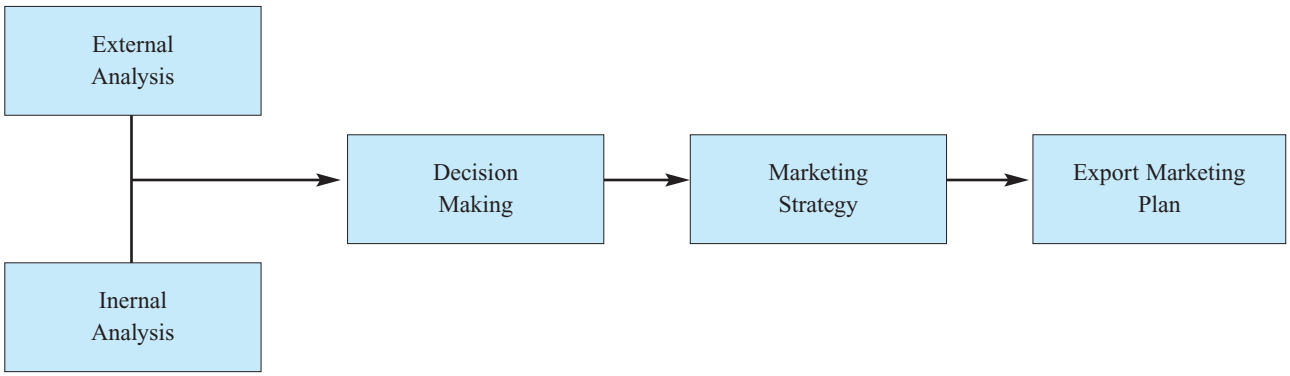
Once a company has determined that it has exportable products, it must still consider whether the development of an export business adheres to the company objectives. In order to arrive at this conclusion the management should ask itself the following questions:

- What does the company want to gain from exporting?
- Is the goal of exporting consistent with other company goals?
- Are the benefits worth the costs or would company resources be better spent developing new domestic business?

☛ **Advantages and disadvantages of exporting**

Advantages:	**Disadvantages**
• enhance domestic competitiveness	• develop new promotional material
• increase sales and profits	• subordinate short-term profits to long-term gains
• gain global market share	• incur added administrative costs
• reduce dependence on existing markets	• allocate personnel for travel
• exploit corporate technology and know-how	• wait longer for payments
• extend the sales potential of existing products	• modify your product or packaging
• stabilise seasonal market fluctuations	• apply for additional financing
• enhance potential for corporate expansion	• obtain special export licenses
• sell excess production capacity	
• gain information on foreign competition	

Companies can waste a lot of time and money attempting to enter markets which do not have potential or for which their product is not suitable. To be successful in export marketing, exporters need to focus on specific products and markets and be prepared to deal with all foreseeable situations. Therefore, several possible strategies have to be considered.



The above figure could be summarised in the following strategic steps:

- External analysis (market audit, Chapter 10) and internal analysis (company audit, Chapter 11)
- SWOT (Chapter 12)
- Decision making & formulation objectives (Chapter 12)
- Elements which can be used as inputs for the Market Entry Strategy and Export Marketing Plan (Chapter 13).

If you have come to the decision to export, the next phase of the export marketing process is to draw up an Export Marketing Plan (EMP) which defines a marketing strategy stating how the company is going to penetrate the identified market. The marketing strategy is designed around the information collected in the internal and external analysis and the marketing tools will be described in the following chapter.

☛ **An international business plan should define your company's:**

- readiness to export
- export pricing strategy
- reason for exporting
- potential export markets and customers
- methods of foreign market entry
- exporting costs and projected revenues
- export financing alternatives
- legal requirements
- transportation method
- overseas partnership and foreign investment capabilities
- corporate commitment to the exporting process

Formulating an export marketing strategy based upon sound information and its proper assessment increases the chances that the best options will be selected, resources will be utilised effectively, and efforts will consequently be carried through to completion.

For assistance in writing an EMP and formulate answer on the questions asked in this chapter, please refer to the CBI's "*Export Planner*".

13 EXPORT MARKETING

Which marketing tools are available to you to help build up your export business? This Chapter will provide you with insights and give tips on how to make use of your marketing tools to promote the sales of your products and to build a favourable trade relationship.

13.1 Matching products and the product range

In the company audit (see Section 11.1), the exporter reviewed the company's product range and product characteristics. The aim of this review was to enable the exporter to match market opportunities with the company's products on offer. This review can also be used as a starting point for considering opportunities for improving the exporter's product range.

In most cases, exporters will find out that the current product range does not match the demand of the identified market segments and sales channels. The cause of this mismatch can, for example, lie in the fact that currently produced varieties are outdated.

In the case of exporters who are looking for varieties to improve their product range, a couple of possible sources exist:

ⓘ **Trade magazines**

ⓘ Visiting **trade fairs** is also a good way of becoming informed about potentially interesting varieties.

ⓘ From more **detailed trade statistics** (for instance auction sales), you can often determine which varieties are most popular in the target markets.

☛ Note that one of the most important issues in selecting new varieties is the question whether or not the variety can be successfully produced under your production circumstances.

13.2 Building up a relationship with a suitable trading partner

One of the most ominous obstacles for exporters can be the search to contact, attract and secure a good importer or trade partner. Many avenues are available for locating trade partners. You should employ any and all, which seem appropriate for your product-market combination.

How to find a potential trading partner

The main ways European importers use to look for new suppliers from developing countries are the following:

- Visiting the country in which one intends to set up/expand production capacity;
- Recommendation by someone he knows; and
- International trade fairs.

The best ways for exporters in developing countries to approach potential European customers are:

- Direct mail: You can write a letter (post, fax or e-mail) directly to a European company. Most companies will respond that they are not interested or that they already carry a competitive line. However, only a few positive replies are needed to continue your search and evaluation of prospective distributors.
- Personal visits: Once you have received a number of interested replies, plan a trip to that market. Additionally while travelling, stop in other potential markets to assess the situation as well as attempt to make contacts. Many times a personal visit will pay for itself in terms of the benefits gained.
- Invite EU importers or potential business partners to visit your company;
- Build a network in order to extend your contacts;
- Visit international trade fairs;

Also refer to the recently published CBI manual "Your Image Builder".

In the case of natural ingredients for cosmetics, a number of European importers mentioned that a good way to approach the market is by establishing direct contact with them.

For European manufacturers, however, importing via large importers may be the most effective way to come in contact with suppliers of natural ingredients cosmetics. Large importers know the language of the region, they know all about logistics and transport tariffs (by sea and air) and they are familiar with the payment methods. Furthermore, they are constantly in contact with the producers in developing countries and they generally have their own personnel overseas or regular travel to suppliers, in order to guarantee constant quality and to coach local staff wherever necessary.

How to identify the most suitable trade partner?

Evaluate the potential trade partners on which you have obtained information, using the following criteria:

❏ Is the information complete? (full address, telephone / fax number, e-mail address, contact person)

❏ Is the importer active in the country you selected?

❏ What kind of trade relation is the potential trade partner interested in (arm's-length, co-operative agreement, joint-venture)? Does this correspond with your preferred type of relations?

❏ What is the position of the potential trade partner in the market?
❏ What is the financial status and credibility of the company?

Using these criteria, draw up a priority list of the contacts you have received.

Going by the priority list, you must identify the trade partners best matching your own company profile, product range and export strategy. Particularly in the case of future long-term close co-operation, it is important to gain a clear picture of the company you are dealing with and understand their business activities.

Cultural differences

The single most common reason for export failure is inattention to cultural factors, a maxim frequently repeated in international business literature. People choose service providers and strategic business partners with whom they feel at ease, and this comfort level is dictated initially by cultural factors. National cultures are numerous, and subcultures are even more so. Increased travel has resulted in a large group of people socialised in more than one culture, and widespread television access gives exposure to different cultural values.

The factors that can affect cross-cultural business include:

- who speaks first
- attitude to God and nature
- decision-making time
- thought patterns
- personal space
- social behaviour
- material possessions
- family relationships
- risk avoidance
- competitiveness
- short- and long-term planning

For example in Germany, first names are reserved for family members and close friends. Moreover, in German business culture, it's not uncommon for colleagues who have worked together for years not to know of each other's first names.

☛ It is important to be aware of and deepen yourself in cultural differences between your country of origin and European countries. By the way, even great varieties in cultural behaviour exist between the EU countries themselves!

13.3 Drawing up an offer

There are two different kinds of offers:
1. general offer or company introduction; and
2. specific offers.

(a) Drawing a general offer

- The purpose of a general offer is to make the first contact with potential trading partners who the supplier does not yet know personally.
- A general offer consists of sending a short profile of your own company and a summary of your product range.
- In a personal letter, briefly introduce your company and what you have to offer.

(b) Drawing up a specific offer

A specific offer is legally binding for a certain period of time. You must therefore be capable of fulfilling the terms of your offer. You should make up a specific offer only when you know the business partner personally or after you have made the initial contact.

When sending a specific offer, it should include:

- Name of the person responsible in your company;
- Exact description of the products offered;
- Price of the products offered in accordance with the Incoterms 2000 (if applicable, split up by delivery quantities or quality); and
- Possible delivery date.

In case a sample of the product is required:

- Product samples must correspond to the goods available for delivery (if they do not, this can have a

lasting negative effect on business relations).

Other tips:
- It is important to ask (by telephone or e-mail) whether the offer (and the samples, if applicable) has arrived in good shape.
- It is a good idea to invite your customer to visit your company.
- Possibly propose a visit to the country of destination.
- In that case:
  - If necessary, hire an interpreter.
  - Ask your own consulate, trade promotion organisation, or other intermediary for assistance.
- First time exporters should start with small samples, rather than large high-value commercial shipments. An exporter should be testing whether his products meet the legislative requirements of the destination country, transportation routing, airline handling and packing methods.

Price setting

To establish an overseas price natural ingredients for cosmetics, you need to consider many of the same factors involved in pricing for the domestic market. These factors include competition; costs such as production, packaging, transportation and handling, promotion and selling expenses; the demand for your product or service and the maximum price which the market is willing to pay.

In most cases, an exporter will have to follow market prices. However, in case of some products, like novelty products, you will be able to set your own export price. There are two common methods of calculating your price for exports:
- Domestic Pricing is a common but not necessarily accurate method of calculating prices for exports. This type of pricing uses the domestic price of the product as a base and adds export costs, including packaging, shipping and insurance. Because the domestic price already includes an allocation of domestic marketing costs, prices determined using this method might be too high to be competitive.
- Incremental Cost Pricing determines a basic unit cost that takes into account the costs of producing and selling products for export, and then adds a mark-up to arrive at the desired profit margin. To determine a price using this method, first, establish the "export base cost" by stripping profit mark-up and the cost of domestic selling. In addition to the base cost, include genuine export expenses (export overheads, special packing, shipping, port charges, insurance, overseas commissions, and allowance for sales promotion and advertising) and the unit price necessary to yield the desired profit margin.

How you price your product is worth a good deal of thought and effort since it directly affects your ability to make a profit. Take some time to research the following management questions:

Questions to ask when setting your price

How much does it cost to grow your product?
→ Production costs not only include costs for cultivating/collection, but also for packaging, distribution and promoting your products.
→ The costs of unsold products also should be included.

What are your profit goals?
→ A profit goal states how much a business should earn.
→ You can set the profit goal as a percentage (margin) above the product costs or set the total profit figure for the entire business.
→ A profit goal can guide decisions on the amount of produce you will grow and the price you will charge.

How will you market your product?
→ Are you producing natural ingredients for cosmetics on a contract basis for a European manufacturer?
→ Do you sell your products on an arms-length basis to customers in Europe?

What price do competitors charge?
→ Try to gain an industry focus on your pricing by researching your competitor's price levels.
→ By walking through the steps indicated in Section 10.2 you will know the prices competitors charge and why they charge what they do. Use the competitive analysis to develop the upper limit of your price range. Be sure you compare your products to competitors.
→ If competition is intense, you should price at the lower end of the price range unless you can distinguish your product through quality or a unique selling feature.

What is the customer demand for my product?

→ How unique is your product?
→ To price according to demand you have to know more about the size and nature of your customer base and their feelings about pricing.
→ You will need to keep an eye on general market trends, particularly if your product range has many substitutions. See also Chapter 3.

☛ Understanding how to price your product is an essential step in developing your business. You must continually monitor your price including your costs of production, your competition and your customers and be prepared to make adjustments.

Below you find an overview of the way you can calculate the price of your export product.

Export price calculation

Total costs per unit
+ Profit
+ Commissions
+ Domestic banking fees
+ Palletisation / export packing
+ Freight forwarding and documentation fees
+ Other direct expenses related to special shipping requirements such as temperature recorder charges
= EXW price (Ex Works)
+ Inland transportation
= FAS price (Free Alongside Ship)
+ Terminal handling charges
= FOB price (Free On Board)
+ Ocean freight charges
+ Ancillary charges
= CFR price (Cost & Freight)
+ Insurance
= CIF price (Cost, Insurance, Freight)

13.4 Handling a contract

When handling the contract, you should consider the terms and the fulfilment:

Contract terms
Terms of payment
There are various methods of receiving payment for your exports. The most commonly used terms in the natural ingredients for cosmetics are documents against payments (D/P) and payments in advance.

- Documents against payments
  Also known as cash against documents (CAD). The buyer takes possession of the goods only after payment. Although this method is not very popular, it is very safe and the costs amount to one pro mille. One can also make use of a 'documents against acceptance of a bill of exchange'. However, the bill of exchange is not commonly used in the European Union and it does not guarantee that the bill will be paid; it is less secure than the D/P.

- Payment in advance
  This method is the most desirable from the seller's standpoint, because all risk is eliminated. While cash in advance may seem most advantageous to you, insisting on these terms may cost you sales. Just like domestic buyers, foreign buyers prefer greater security and better cash utilisation. Some buyers may also find this requirement insulting, especially if they are considered credit worthy in the eyes of the rest of the world. Advance (partial) payments and progressive payments may be more acceptable to a buyer, but even these terms can result in a loss of sales in a highly competitive market.

Most export shipments are partly pre-paid before the ingredients are shipped. Because collections from customers are more difficult overseas, it is recommended to get a minimum of 50 percent in advance. Once on-going business and trust is established, exporters should grant their foreign customers standard payment terms. Because of the possible complications and costs, letters of credit are often avoided in the plant trade.

In the case of co-operation agreements with overseas companies, payment terms could also include periodical payments.

Terms of sale
Export terms of sale determine what costs are covered in the price of the cargo. They also indicate at what point ownership transfers to the buyer and at what point responsibility for the cargo is transferred. International commercial terms (Incoterms) provide "the international rules for the interpretation of trade terms." For more information on Incoterm, please refer to www.iccwbo.org/incoterms/preambles.asp.

The most commonly used trade term is:
FOB (Free on Board)
Under this term, the seller quotes a price for goods that includes the cost of loading at the port of departure. The buyer arranges for transportation and insurance.

Other trade terms less frequently encountered are:

- *CFR (Cost and Freight)*
  For shipments to designated overseas port of import, the seller quotes a price for the goods that includes the cost of transportation to the named point of debarkation. The buyer is responsible for the cost of insurance. This is referred to as C&F in the old Incoterms. The seller pays for the cost of unloading cargo at the port of destination, to the extent that they are included in the freight charges. If the charges are separate, they fall to the account of the buyer.
- *CIF (Cost, Insurance, Freight)*
  Under this term, for shipments to designated overseas port of import, the seller quotes a price for the goods, including insurance costs and all transportation and miscellaneous charges, to the point of debarkation from the vessel or aircraft. The seller pays for the cost of unloading cargo at the port of destination, to the extent that they are included in the freight charges. If the charges are separate, they fall to the account of the buyer.

Contract fulfilment

It is important that an exporter discusses the 'what ifs' with his trade partner: what if there is a problem with inspection, what if a claim is necessary because the airline mishandles the natural ingredients, and what if your customer has a problem with product quality after arrival.

Important issues are:

- ❏ Procure the delivery documents in good time.
- ❏ If there is a supply agreement, comply strictly with all parts. If you cannot comply with any part of the agreement (e.g. delivery delays or quality problems), inform the customer clearly and in good time.
- ❏ Co-operate on a partnership basis and seek a common solution even if conflicts arise.
- ❏ Fulfilling the contract should have a high priority, particularly when delivering for the first time.

Other more practical questions that should be asked are:

- When is the shipment needed?
- Does the customer have a preferred freight carrier?
- Which airport (or ocean port) is most convenient?
- Does he have an agent to clear the shipment through Customs?
- Does the customer want to pay for the shipment to be insured?

13.5 Sales promotion

One of the major critical success factors for exporters of natural ingredients for cosmetics to the European Union is attention to customer requirements and the ability to maintain good relationships with their European business partners. Sales promotion revolves around developing and expanding these customer relations and thereby maintaining and increasing sales volume.

Some tips for developing customer relations:

- Take good care of existing contacts. This includes for example expressions of thanks to business partners, regular information on the company developments like product range, quality improvements, etc.
- Always reply to a letter of inquiry. If you cannot supply this contact, say so, explaining that you will get in touch with him for the next campaign.

Communication

It is advisable to commence with communication measures, which only require a small amount of planning and co-ordinating, such as revising the company's standard printed matter:

- Standardise all printed paper used outside the company (letterheads, visiting cards, fax form, etc.)
- A brochure of your company (including photos of production sites and produce) can be useful for promoting new contacts and sales.

Constant, prompt and reliable communication is a vital prerequisite for maintaining a long-term business relationship with your customers. If possible, smaller firms should also try to be reachable by (mobile) phone at office hours.

Sales organisation

The term “sales organisation” refers to the organisational system that carries out the sales of the company's products. A sales organisation usually consists of back office and sales force.

As most sales are conducted by telephone, fax or e-mail, having well-functioning sales staff is an absolute precondition for successful market participation. This also applies to smaller company where one person has to take up different (sales) functions.

An essential tool used in sales is a detailed and up-to-date customer database. This database can vary from a simple collection of customer data sheets to an advanced customer relation management system. However, the customer database should at least contain the following information:

- Basic information on the customer: name, address, telephone numbers, etc.
- Changing data on the customer: data resulting from business activities with the customer, such as telephone calls, offers, sales information, etc.

The customer database should give the sales person a quick review of the most important customer

information when making or answering a telephone call or planning a visit.

If possible, the database should be computerised, because this simplifies changes, updating, sorting and selection procedures, etc. If computerisation is not possible, the customer database should be on file cards (see example).

Example customer data sheet

General information

Company name:	Customer no.:
Postal address:	First contact date: _ _ / _ _ / _ _ _ _
Street address	Customer class*: _ A _ B _ C _ D
Country:	Customer type: *(importer, manufacturer, agent)*
Telephone:	Other info:
Fax:	
E-mail:	
Contact name:	

Sales information

Sales realised: *(last year)*
Sales planned: *(this year)*
etc..

Contact record

No. 1
Contact date: _ _ / _ _ / _ _
Contact type: *(telephone, visit, fax, etc.)*
Information:

No. 2
Contact date: _ _ / _ _ / _ _
Contact type: ***(telephone, visit, fax, etc.)***
Information:

No. 3
Contact date: _ _ / _ _ / _ _
Contact type: *(telephone, visit, fax, etc.)*
Information:

* Classify your customers by importance to your company (sales, quality of relation, etc.)

Internet
As a source of information and means of communication, Internet is generally considered to have many opportunities for companies in developing countries. The main advantages of the Internet are:
- Low cost of communication;
- Fast delivery of information;
- Independence of distance and timeline;
- Multimedia possibilities.

Besides one-to-one communication through the use of E-mail, Internet offers opportunities for presentations, (market) research, distribution, sales and logistical improvements. If your target group consists of importers/growers in overseas countries, you can advertise for (new) customers on your Internet site, showing your company, product range and indicating the production circumstances.

Trade fairs
Visiting or even participating in a trade fair abroad can be an efficient tool for communicating with prospective customers. It provides more facilities for bringing across the message than any other trade promotional tool. It can also be an important source of information on market developments, production techniques and interesting varieties.

Important motives for companies visiting European trade fairs are:
- Establishing contacts with potential customers;
- Orientation on the European market;
- Gathering information on specific subjects;

Although significant costs are involved, actually participating in a trade fair could be interesting for a number of companies to meet, for example, European companies interested in setting up production facilities in tropical regions. One of the major advantages of participating yourself in a trade fair is the ability to present your company and products in a more extensive way (3-D presentation, company video, and product displays).

Trade fairs are organised in many European Union countries. The most relevant fairs for exporters of natural ingredients are listed in the box below. The contact addresses of these and other trade fairs are listed in Appendix 2.4.

Main European trade fairs

Trade fair	Where?	When?	What?
Natural Products Expo Europe	Amsterdam, The Netherlands	June 2004	Natural products, including raw materials.
Sana	Milan, Italy	September 2004	Natural nutrition, health, and t he environment.
CphI	Milan, Italy	September	Pharmaceutical ingredients and intermediates.
Health Ingredients Europe	Amsterdam, The Netherlands	November 2004	Ingredients for health, functional and organic foods.
BioFach	Nürnberg, Germany	February 2004	Organic Trade Show.
In-Cosmetics	Milan, Italy	April 2004	Raw materials and ingredients for the cosmetics, toiletries, fragrances and personal care market.

For additional information on trade fair participation, please refer to CBI's Handbook "*Your show master - a guide for selection, preparation and participation in trade fairs*".

Assistance with market entry

Local business support organisations

Before approaching organisations abroad, an exporter should first check with local business support organisations (trade promotion organisations, Chambers of Commerce, etc.) and foreign representatives in his or her country.

Import Promotion Organisations

In most EU countries, there are organisations that promote imports from developing countries through specific export promotion activities:

- They supply information on: statistics and other information on national markets, regular news bulletins, importer databases, and market opportunities;
- Individual assistance is offered: management training, testing products by display and adaptation services; and
- They can establish contacts: collective trade fair participation and selling missions.

☛ CBI export development programmes (EDP)

On the basis of the results achieved in previous programmes and on the basis of expected market opportunities, CBI has initiated a new export development programme for companies that manufacture or produce natural ingredients for pharmaceuticals and/or cosmetics.
Only companies in a number of selected countries in Latin America, Asia and Africa are eligible for participation.

A step-by-step approach provides intensive support for selected exporters in developing countries, so that they can secure a firm footing on the EU market. Programmes are made to measure, demand-driven and flexible, combined with fixed elements such as:

- pre-selection of candidates based on kick-off workshops;
- technical assistance during company visits and distance guidance by CBI branch experts;
- export marketing training (for instance through the EXPRO seminars);
- market entry (for instance via participation in European trade fairs);
- market consolidation by way of follow-up support, further technical assistance and/or repeat market entry activities.

To date, CBI has organised kick-off workshops in Colombia, Ecuador, Bolivia, Indonesia and Sri Lanka for representatives from companies and institutions involved in the conservation, development, certification and export promotion of natural ingredients for pharmaceuticals and/or cosmetics. April 2003, a number of EDP participants took part in the trade fair In-Cosmetics in Paris (for more information please contact pgilst@cbi.nl).

Branch organisations

As is probably the case in your own country, in most European countries, producers, wholesalers and often retailers are also organised in so-called branch organisations. These organisations can be of use to new exporters to the EU.

Information how to reach these organisations can be found in Appendix 2.3.

Appendices

APPENDIX 1 DETAILED IMPORT/EXPORT STATISTICS

The source of the data presented below is Eurostat COMEXT 2002. The data must be interpreted and used with caution. For example in Table 2, The Netherlands is listed as the third leading supplier of coconut oil. There is, however, no production of coconut oil in The Netherlands. The Netherlands, is therefore, the importer of this volume of coconut oil. The coconut oil is further processed in The Netherlands and re-exported at a higher value. This situation is applicable in more cases, e.g. Netherlands and French supplies of vetiver, and Belgian supplies of peanut oil.

Table 1 **EU imports of peanut oil, by supplying country, 1999-2001**
€ thousand / tonnes

	1999		2000		2001	
	value	volume	value	volume	value	volume
Total	151,812	192,661	150,669	177,448	123,982	151,810
Intra EU	41,599	42,948	36,614	35,131	33,847	33,545
Extra EU	110,213	149,713	114,055	142,317	90,135	118,265
Developing countries	109,415	149,343	112,858	141,720	87,477	114,684
Senegal	58,647	80,727	77,475	96,223	72,029	94,114
Belgium	20,182	18,796	20,471	18,848	19,391	18,808
Argentina	46,661	63,609	29,331	37,859	6,518	8,915
France	11,618	14,404	6,674	6,711	6,373	6,799
Sudan	1,693	1,893	5,745	7,319	6,288	8,213
The Netherlands	6,776	7,497	6,077	6,803	2,962	3,260
USA	759	353	1,049	556	2,527	3,530
United Kingdom	1,374	986	1,282	1,057	2,512	2,723
Gambia	0	0	0	0	1,597	2,019

Table 2 **EU imports of coconut oil, by supplying country, 1999-2001**
€ thousand / tonnes

	1999		2000		2001	
	value	volume	value	volume	value	volume
Total	838,620	1,213,710	771,633	1,286,560	559,222	1,384,168
Intra EU	157,710	218,804	120,731	174,409	89,885	165,760
Extra EU	680,910	994,906	650,902	1,112,151	469,337	1,218,408
Developing countries	673,344	985,913	637,925	1,093,100	464,137	1,210,661
Indonesia	334,003	499,425	365,204	625,063	217,924	569,495
Philippines	163,051	238,088	162,510	288,985	180,055	478,419
The Netherlands	108,018	160,546	80,926	118,958	54,899	100,843
Malaysia	87,795	123,731	53,123	83,748	40,940	96,359
Papua New Guinea	45,574	64,421	34,676	58,966	19,074	49,784
Germany	24,857	29,556	15,768	21,692	14,555	25,943
France	6,595	8,370	7,595	12,492	5,979	14,422
Belgium	6,858	7,989	5,181	7,372	4,172	7,416
Côte d'Ivoire	20,676	29,897	8,960	15,727	3,848	11,440

Table 3 **EU imports of castor oil, by supplying country, 1999-2001**
€ thousand / tonnes

	1999		2000		2001	
	value	**volume**	**value**	**volume**	**value**	**volume**
Total	91,699	100,472	152,367	148,833	133,153	158,470
Intra EU	22,656	20,147	23,094	19,359	17,404	17,247
Extra EU	69,043	80,325	129,273	129,474	115,749	141,223
Developing countries	68,806	80,217	128,918	129,222	114,955	140,752
India	66,894	78,136	120,030	119,761	103,556	127,375
Brazil	1,675	1,893	8,651	9,268	9,038	10,669
Germany	10,516	8,443	9,777	7,816	6,646	5,853
The Netherlands	7,094	7,581	7,467	6,820	5,722	6,641
China	20	25	20	16	2,297	2,658
United Kingdom	1,825	1,407	1,869	1,412	1,854	1,788
France	1,718	1,517	2,456	2,180	1,649	1,656

Table 4 **EU imports of waxes, by supplying country, 1999-2001**
€ thousand / tonnes

	1999		2000		2001	
	value	**volume**	**value**	**volume**	**value**	**volume**
Total	39,915	12,194	44,636	12,922	44,777	12,384
Intra EU	15,762	4,094	17,523	4,765	17,566	4,134
Extra EU	24,153	8,100	27,113	8,157	27,211	8,250
Developing countries	17,811	6,403	20,913	6,815	21,585	7,165
Brazil	8,595	3,435	10,787	3,410	10,069	3,417
China	5,425	1,919	5,022	1,895	6,626	2,355
Germany	5,861	1,666	6,104	1,511	5,109	1,563
The Netherlands	3,990	1,022	3,632	989	3,522	960
United Kingdom	708	118	791	131	3,142	356
France	2,861	479	3,086	609	2,880	573
Mexico	2,257	568	1,965	500	1,830	401

Table 5 **EU imports of cocoa butter, fat and oil, by supplying country, 1999-2001**
€ thousand / tonnes

	1999		2000		2001	
	value	**volume**	**value**	**volume**	**value**	**volume**
Total	945,438	290,414	728,825	280,349	718,821	299,602
Intra EU	705,086	206,123	537,725	195,621	523,668	212,853
Extra EU	240,352	84,291	191,100	84,728	195,153	86,749
Developing countries	237,466	83,100	189,157	83,944	192,829	85,307
The Netherlands	453,544	131,484	341,687	124,824	377,328	154,659
France	188,286	55,197	140,914	49,577	91,827	36,420
Côte d'Ivoire	87,613	27,734	65,753	29,076	82,352	35,077
Ghana	33,733	11,956	33,267	14,607	29,396	12,665
Malaysia	21,093	8,157	15,405	7,025	21,136	9,505
Indonesia	20,548	7,747	26,341	12,092	19,771	9,467
Spain	23,447	7,117	18,240	6,900	14,776	5,679
United Kingdom	10,256	3,035	7,833	2,731	14,713	5,815
Turkey	6,789	2,500	10,167	4,296	12,255	5,521
Nigeria	23,885	8,505	16,028	7,184	10,730	4,941

Table 6 **EU imports of lemon oil, by supplying country, 1999-2001**
€ thousand / tonnes

	1999		2000		2001	
	value	**volume**	**value**	**volume**	**value**	**volume**
Total	47,792	3,116	38,841	2,536	44,173	2,648
Intra EU	18,677	1,247	16,660	1,168	15,696	1,059
Extra EU	29,115	1,869	22,181	1,368	28,477	1,589
Developing countries	22,149	1,516	16,323	1,086	22,783	1,320
Argentina	19,384	1,250	13,478	773	19,030	1,017
Italy	10,022	669	9,194	633	8,544	607
USA	5,262	289	3,761	203	4,445	225
United Kingdom	2,204	124	1,885	82	2,290	118
Brazil	930	122	1,080	170	1,494	138
Germany	1,334	76	1,680	197	1,418	121
Spain	2,963	237	1,623	87	1,323	71
South Africa	649	52	382	31	895	62

Table 7 **EU imports of lime oil, by supplying country, 1999-2001**
€ thousand / tonnes

	1999		2000		2001	
	value	**volume**	**value**	**volume**	**value**	**volume**
Total	14,612	1,030	13,435	729	16,724	782
Intra EU	4,511	468	3,561	164	4,641	154
Extra EU	10,101	562	9,874	565	12,083	628
Developing countries	6,876	459	7,791	507	9,623	569
Mexico	4,839	314	4,872	332	6,284	375
United Kingdom	2,603	119	1,921	77	3,083	88
USA	3,173	102	2,029	55	2,419	58
Peru	860	63	1,298	79	1,773	107
Brazil	509	39	1,144	58	1,208	64
The Netherlands	371	30	612	39	627	26
Germany	1,028	289	660	33	593	28
Cuba	69	4	306	25	215	16

Table 8 **EU imports of essential oils of citrus fruit, by supplying country, 1999-2001**
€ thousand / tonnes

	1999		2000		2001	
	value	**volume**	**value**	**volume**	**value**	**volume**
Total	19,400	1,311	22,595	1,525	21,710	1,668
Intra EU	11,477	696	11,601	759	10,879	773
Extra EU	7,923	615	10,994	766	10,831	895
Developing countries	3,206	315	3,802	375	3,979	449
USA	3,584	187	5,647	254	4,823	267
Italy	4,892	118	3,832	121	3,935	107
United Kingdom	2,272	127	3,197	162	2,419	120
Germany	1,844	275	2,217	282	2,013	157
The Netherlands	902	92	1,136	113	1,390	329
Israel	715	91	1,062	115	1,125	145
Cuba	910	159	959	147	1,005	237
Brazil	472	58	692	75	613	65

Table 9 **EU imports of geranium oil, by supplying country, 1999-2001**
€ thousand / tonnes

	1999		2000		2001	
	value	**volume**	**value**	**volume**	**value**	**volume**
Total	7,270	194	9,261	213	7,926	189
Intra EU	2,523	69	4,289	125	2,287	69
Extra EU	4,747	125	4,972	88	5,639	120
Developing countries	4,329	119	4,427	79	5,441	112
China	2,256	56	1,972	34	2,856	63
Egypt	1,876	57	2,296	43	2,402	48
France	2,113	55	2,004	47	1,449	49
United Kingdom	284	5	1,915	34	706	13
USA	338	6	298	6	90	4
Switzerland	76	0	94	1	75	1
South Africa	0	0	0	0	64	0

Table 10 **EU imports of jasmine oil, by supplying country, 1999-2001**
€ thousand / tonnes

	1999		2000		2001	
	value	**volume**	**value**	**volume**	**value**	**volume**
Total	4,285	24	5,952	29	6,289	22
Intra EU	528	10	754	21	614	8
Extra EU	3,757	14	5,198	8	5,675	14
Developing countries	3,570	10	5,126	7	5,594	14
Egypt	1,813	2	2,338	3	2,606	9
India	1,409	2	2,246	3	2,446	4
Morocco	288	1	494	1	481	1
France	414	3	456	1	358	5
Italy	1	0	14	0	191	0
Madagascar	5	0	45	0	61	0

Table 11 **EU imports of vetiver oil, by supplying country, 1999-2001**
€ thousand / tonnes

	1999		2000		2001	
	value	**volume**	**value**	**volume**	**value**	**volume**
Total	4,275	86	4,656	100	4,117	100
Intra EU	1,195	26	1,444	46	769	12
Extra EU	3,080	60	3,212	54	3,348	88
Developing countries	2,782	51	2,923	47	3,121	84
Haiti	2,354	40	2,185	30	2,436	34
France	428	12	814	11	375	6
Indonesia	333	10	511	14	338	11
The Netherlands	652	11	402	6	241	4
USA	277	9	217	3	206	4
China	5	0	30	0	201	28
United Kingdom	84	2	117	3	100	1
Madagascar	40	0	71	1	93	1
Germany	10	0	90	1	46	1
Albania	21	0	11	0	36	1

Table 12 **EU imports of other essential oils, by supplying country, 1999-2001**
€ thousand / tonnes

	1999		2000		2001	
	value	**volume**	**value**	**volume**	**value**	**volume**
Total	227,527	15,844	243,010	16,781	260,183	17,098
Intra EU	75,295	3,187	78,238	4,533	79,953	3,912
Extra EU	152,232	12,657	164,772	12,248	180,230	13,186
Developing countries	105,976	10,104	121,786	10,006	133,902	9,857
China	29,150	5,880	37,568	5,942	40,276	5,815
France	32,601	1,069	32,273	1,391	30,964	1,010
Indonesia	21,751	970	17,506	860	23,280	990
USA	23,274	1,441	21,260	1,091	22,535	2,328
United Kingdom	13,140	720	15,983	963	15,539	695
India	9,392	363	13,410	550	13,434	524
Spain	10,714	526	9,935	668	11,633	683
Turkey	6,141	20	7,412	30	9,023	34
Morocco	6,135	318	6,368	301	7,632	453
Madagascar	4,959	1,026	6,802	856	7,141	695

Table 13 **EU imports of medicinal & aromatic plants, by supplying country, 1999-2001**
€ thousand / tonnes

	1999		2000		2001	
	value	**volume**	**value**	**volume**	**value**	**volume**
Total	313,942	111,839	338,774	117,961	323,497	122,754
Intra EU	107,187	25,953	120,921	26,705	106,681	33,031
Extra EU	206,755	85,886	217,853	91,256	216,816	89,723
Developing countries	127,238	59,244	132,295	63,914	134,543	64,706
USA	30,108	5,559	32,498	4,885	32,946	4,309
Germany	26,635	8,425	36,789	9,426	31,576	16,673
France	25,564	5,427	26,771	5,343	24,009	4,642
China	29,261	7,923	24,330	6,570	21,624	6,117
India	13,505	6,911	16,212	6,961	17,270	6,495
Israel	6,551	931	10,625	1,412	13,837	1,755
Belgium	10,946	1,889	13,969	1,891	10,755	1,758
Spain	10,280	2,176	8,763	1,980	10,514	2,969
Bulgaria	11,148	6,845	13,163	8,406	10,263	7,662
Morocco	8,875	6,373	10,108	7,450	10,146	7,176

Table 14 **EU imports of seaweed & algae, by supplying country, 1999-2001**
€ thousand / tonnes

	1999		2000		2001	
	value	**volume**	**value**	**volume**	**value**	**volume**
Total	64,044	65,163	71,712	61,594	66,486	59,273
Intra EU	9,443	11,386	11,049	12,912	8,806	9,456
Extra EU	54,601	53,777	60,663	48,682	57,680	49,817
Developing countries	24,872	28,712	27,924	27,667	28,021	29,118
Philippines	9,646	10,000	10,985	9,484	11,783	10,572
Chile	4,218	6,308	5,040	6,944	5,867	7,884
Japan	4,666	299	5,598	240	5,127	213
USA	3,382	187	6,096	324	4,209	182
Indonesia	7,156	8,522	5,871	6,316	3,818	4,904
France	3,225	5,460	3,616	5,863	2,822	3,892
Morocco	1,992	1,795	2,873	2,629	2,480	2,344
Ireland	2,042	4,932	2,351	5,400	2,025	4,373
China	774	139	1,551	197	1,900	272

Table 15 **EU imports of colouring matter of vegetable or animal origin, by supplying country, 1999-2001**
€ thousand / tonnes

	1999		2000		2001	
	value	volume	value	volume	value	volume
Total	136,220	17,769	169,857	21,911	170,265	20,542
Intra EU	87,441	11,799	99,565	14,469	95,845	12,858
Extra EU	48,779	5,970	70,292	7,442	74,420	7,684
Developing countries	32,457	4,629	45,052	5,503	51,033	5,856
Spain	20,250	1,878	19,951	2,716	19,927	2,237
France	20,176	4,335	23,591	5,332	19,238	3,859
India	4,742	238	11,433	465	15,818	632
Peru	9,467	940	11,419	1,389	13,667	1,839
The Netherlands	9,075	1,215	10,927	1,367	13,507	1,392
Germany	10,684	1,584	12,106	1,476	12,963	1,770
United Kingdom	9,187	602	10,085	701	9,695	548
Mexico	8,037	2,024	9,786	1,728	8,661	1,461

Table 16 **EU exports of product groups falling under cosmetic ingredients, 1999-2001**
€ thousand / tonnes

	1999		2000		2001	
	value	volume	value	volume	value	volume
Vegetable oils, fats & waxes	2,072,033	1,680,875	1,879,958	1,759,357	1,832,028	1,834,747
Vegetable saps & extracts	1,120,683	150,771	1,130,023	149,279	1,019,920	138,250
Essential oils & oleoresins	431,526	33,930	445,591	33,157	457,906	35,047
Raw plant material	189,730	50,155	221,367	51,979	213,286	50,338
Colouring matter	169,208	19,692	198,352	22,067	198,146	21,745

APPENDIX 2 USEFUL ADDRESSES

2.1 Standards organisations

INTERNATIONAL

The World Health Organization
E-mail: info@who.int
Internet: www.who.org

EUROPEAN UNION

European Agency for the Evaluation of Medicinal Products (EMEA)
E-mail: mail@emea.eu.int
Internet: www.emea.eu.int

Comité Européen de Normalisation (CEN)
European Normalisation Committee.
E-mail: infodesk@cenorm.be
Internet: www.cenorm.be

FRANCE

Association Française de Normalisation
E-mail: norminfo@afnor.fr
Internet: www.afnor.fr

GERMANY

Deutsches Institut für Normung eV (DIN)
E-mail: peter.anthony@din.de
Internet: www.din.de

ITALY

Ente Nazionale Italiano di Unificazione (UNI)
E-mail: uni@uni.com
Internet: www.unicei.it

THE NETHERLANDS

Nederlands Normalisatie Instituut (NEN)
Telephone: +31 (0)15 2690390
Internet: www.nen.nl

SPAIN

Asociación Española de Normalización y Certificación (AENOR)
E-mail: info@aenor.es
Internet: www.aenor.es

UNITED KINGDOM

British Standards Institution (BSI)
E-mail: cservices@bsi-global.com
Internet: www.bsi-global.com

2.2 Sources of price information

INTERNATIONAL

FAO (Food and Agriculture Organisation)
Publisher of 'Monthly Bulletin of Statistics', 'Commodity and Market Review', and 'Food Outlook'
E-mail: FAO-HQ@fao.org
Internet: www.fao.org

International Trade Centre (ITC)
MNS Medicinal Plants & Extracts
E-mail: tirc@intracen.org
Internet: www.intracen.org

GERMANY

ISTA Mielke & Co.
Publisher of 'Oil World"
E-mail: info@oilworld.de
Internet: www.oilworld.de

COSSMA
Health and Beauty Business Media GmbH & Co KG
E-mail : info@health-and-beauty.com
Internet: www.cossma.com

UNITED KINGDOM

Agra Europe Ltd.
Publisher of 'Tze Public Ledger'
E-mail: marketing@public-ledger.com
Internet: www.public-ledger.com

INTERNET

Herb crop shop
(At Herb Growing and Marketing Network)
www.herbworld.com/cropshop

Other sites for (retail) prices for raw materials include:
- www.albanmuller.fr
- www.alexander-essentials.com

Sites for retail prices for botanical materials include:
- www.herbmarket.com
- www.libertynatural.com

2.3 Trade associations

INTERNATIONAL

Federation of Oils, Seeds & Fats Associations (FOSFA)
E-mail: contact@fosfa.org
Internet: www.fosfa.org

International Federation of Essential Oils and Aroma Trades (IFEAT)
E-mail: IFEATAdministrator@fdf.org.uk
Internet: www.ifeat.org

EUROPE

The European Cosmetic Toiletry and Perfumery Association (Colipa)
The Association Officers' Council comprises fifteen full members (Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and Sweden) and fourteen associate members (Argentina, Australia, Brazil, Bulgaria, Czech Republic, Hungary, Israel, Norway, Poland, Romania, Russia, South Africa, Switzerland and Turkey). Contact details for the members can be found at Colipa's Internet address.
E-mail: colipa@colipa.be
Internet: www.colipa.com

Industrieverband Körperpflege- und Waschmittel (IKW)
E-mail: info@ikw.org
Internet: www.ikw.org

Bundesverband Deutscher Industrie- und Handelsunternehmen für Arzneimittel, Reformwaren und Körperpflegemittel (BDIH)
Internet: www.bdih.de

Aromatherapy Trade Council
E-mail: info@a-t-c.org.uk
Internet: www.a-t-c.org.uk

2.4 Trade fair organisers

Bio Fach (Certified organic products)
Ökowelt TMBH
E-mail: info@biofach.de
Internet: www.biofach.de

CPhI
Miller Freeman BV
Internet: www.cphi.com

FIE
Miller Freeman BV
E-mail: fi@cmpinformation.com
Internet: www.fi-events.com

IN-COSMETICS
Reed Exhibitions
Internet: www.in-cosmetics.co.uk

Natural Products Europe
Internet: www.expoeurope.com

SANA
Exhibition of Health Food, Health and Environment
E-mail: info@sana.it
Internet: www.sana.it

2.5 Trade press

FRANCE

Parfums Cosmétiques Actualités
Société d'expansion Technique et Economique
Internet: www.parfums-cosmetiques.presse.fr

GERMANY

COSSMA
Health and Beauty Business Media GmbH & Co KG
Internet: www.cossma.com

EUROCOSMETICS
E-mail: info@eurocosmetics-magazine.com
Internet: www.eurocosmetics-magazine.com

SÖFW Journal
Address: P.O. Box 102565, 86015 Augsburg, Germany
Telephone: +49 (0)821 3258 30
Fax: +49 (0)821 3258 323

ITALY

World Directory Cosmetics Industry
E-mail: info@teknoscienze.com
Internet: www.teknoscienze.com

UNITED KINGDOM

International Journal Of Cosmetic Science
Blackwell Science Ltd
E-mail: journals.cs@blacksci.co.uk
Internet: www.blackwell-science.com

Manufacturing Chemist
Polygon Media Ltd
Internet: www.polygonmedia.co.uk

Soap, Perfumery & Cosmetics
Wilmington Publishing
E-mail: spc@wilmington.co.uk
Internet: www.spc-magazine.com

INTERNATIONAL
C&T - Cosmetic & Toiletries
Allured Publishing Corporation
E-mail: customerservice@allured.com
Internet: www.thecosmeticsite.com

Journal of Essential Oil Research
Allured Publishing Corporation
E-mail: customerservice@allured.com
Internet: www.allured.com

Happi Magazine
Rodman Publishers
E-mail: rodmanpub@aol.com
Internet: www.happi.com

2.6 Other useful addresses

CBI/Accesguide
(CBI's database on European non-tariff trade barriers)
Email: accessguide@.cbi.nl
Internet: www.cbi.nl/accessguide

GTZ Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH
E-mail: postmaster@gtz.de
Internet: www.gtz.de

International Chamber of Commerce
E-mail: icc@iccwbo.org
Internet: www.iccwbo.org

RIVM (National Institute of Public Health and the Environment)
Centre for Substances and Risk Assessment
E-mail: info@rivm.nl
Internet: www.rivm.nl

Skal
(Internationally operating organisation, inspecting and certifying sustainable agricultural production methods and products)
E-mail: info@skal.com
Internet: www.skal.nl

APPENDIX 3 LIST OF DEVELOPING COUNTRIES

The list of developing countries as applied in this market survey, is the OECD DAC list of countries receiving Official Development Assistance (Part I). The list used is the one as at 1/1/2003.

Afghanistan
Albania
Algeria
Angola
Anguilla
Antigua and Barbuda
Argentina
Armenia
Azerbaijan
Bahrain
Bangladesh
Barbados
Belize
Benin
Bhutan
Bolivia
Bosnia & Herzegovina
Botswana
Brazil
Burkina Faso
Burundi
Cambodia
Cameroon
Cape Verde
Central African rep.
Chad
Chile
China
Colombia
Comoros
Congo, Dem. Rep
Congo, Rep.
Cook Islands
Costa Rica
Côte d'Ivoire
Croatia
Cuba
Djibouti
Dominica
Dominican republic
Ecuador
Egypt
El Salvador
Equatorial Guinea
Eritrea
Ethiopia
Fiji
Gabon
Gambia
Georgia
Ghana
Grenada
Guatemala
Guinea
Guinea-Bissau
Guyana
Haiti
Honduras
India
Indonesia
Iran
Iraq
Jamaica
Jordan
Kazakstan
Kenya
Kiribati
Korea, Rep. of
Kyrghyz Rep.
Laos
Lebanon
Lesotho
Liberia
Macedonia
Madagascar
Malawi
Malaysia
Maldives
Mali
Marshall Islands
Mauritania
Mauritius
Mayotte
Mexico
Micronesia, Fed. States
Moldova
Mongolia
Montserrat
Morocco
Mozambique
Myanmar
Namibia
Nauru
Nepal
Nicaragua
Niger
Nigeria
Niue
Oman
Pakistan
Palau Islands
Palestinian Admin. Areas
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Rwanda
Samoa
São Tomé & Principe
Saudi Arabia
Senegal
Seychelles
Sierra Leone
Solomon Islands
Somalia
South Africa
Sri Lanka
St. Helena
St. Kitts-Nevis
St. Lucia
St. Vincent and Grenadines
Sudan
Surinam
Swaziland
Syria
Tajikistan
Tanzania
Thailand
Timor, East
Togo
Tokelau
Tonga
Trinidad & Tobago
Tunisia
Turkey
Turkmenistan
Turks & Caicos Islands
Tuvalu
Uganda
Uruguay
Uzbekistan
Vanuatu
Venezuela
Vietnam
Wallis & Futuna
Yemen
Yugoslavia, Fed. Rep.
Zambia
Zimbabwe

Note: Eurostat figures do not include figures for St. Kitts-Nevis

APPENDIX 4 USEFUL INTERNET SITES

www.cites.org
CITES has a membership of 152 countries. These countries act by banning commercial international trade in an agreed list (Appendix I) of endangered species (including plants) and by regulating and monitoring trade in others (Appendix II) that might become endangered. Around 200 medicinal plants species have been added to CITES appendices. This site gives an up-to-date overview of the Appendices I and II.

www.cosmeticsbusiness.com
This site provides cosmetic suppliers' guides (incl. raw materials and packaging materials), news, and an event guide.

http://dg3.eudra.org
This site is operated by the European Commission -DG III-E-3 on Pharmaceuticals and Cosmetics. The site includes information on the rules governing cosmetics in the European Union, the international nomenclature of cosmetic ingredients, addresses of those involved in the EU cosmetics sectors and documents released for consultation or for information.

www.europages.com
This site includes contact details of companies in the sector Chemicals and Pharmaceuticals. Interesting subcategories include: Essences and fragrances non-food, Herbs for medicines and cosmetics, Oils and fats non-food, Import-export - chemicals and pharmaceuticals.

www.fao.org/forestry/FOP/FOPW/NWFP/new/nwfp.htm
This site is operated by FAO's Forest Products Division and includes information about Non-wood Forest Products (NWFP), a database with organisations active in the field of NWFPs, information about relevant publications and projects. The site presents the annual newsletter Non-wood News.

www.ki-online.de
This site, in German, provides information on the cosmetics industry in Germany.

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