CBI MARKET SURVEY

THE MARKET FOR NATURAL INGREDIENTS FOR COSMETICS IN SWEDEN

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the market for natural ingredients for cosmetics in Sweden. The information is complementary to the information provided in the CBI market survey 'The market for natural ingredients for cosmetics in the EU' which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.nl/marketinfo.

Please note that specific information regarding the natural ingredients for cosmetics market in Sweden is scarce. Therefore, information on both the conventional cosmetics and the natural cosmetics markets is provided, which also gives a good indication of the developments on the market for natural ingredients for cosmetics.

1. Market description: industrial demand and production

Industrial demand

- Sweden is the 8th largest cosmetics and toiletry market in the EU15, with a market share of 2.2% in the EU25. Per capita consumption on cosmetics and toiletries is equal to the EU average at € 149. Between 2002 and 2004the EU15 Europe.

Table 1.1 Swedish market for cosmetics & toiletries, 2001-2004, retail sales prices, in million €, change 2001-2004 in %

2002	2003	2004	Average annual change
1,167	1,244	1,338	3.5%

Source: Colipa (2006)

- Table 1.2 shows the market share for the different product groups within cosmetics. As has been the case for several years, skin care (10.9%), decorative cosmetics (10.4%) and toiletries (7.0%) showed solid growth in 2004. Male skin care products showed very strong growth as well (Colipa, 2006).

Table 1.2 Swedish market for cosmetics & toiletries per product group, 2004 at retail sales prices, in million €, share in %

Fragrances Perfumes		Decorative Cosmetics		Skin care		Hair care		Toiletries	
€ billion	%	€ billion	%	€ billion	%	€ billion	%	€ billion	%
0.10	7.8%	0.24	17.9%	0.27	20.2%	0.39	28.9%	0.34	25.3%

Source: Colipa (2006)

- However, a number of factors, such as the increasing penetration of low price supermarkets and private label products dampened sales. In the last few years, widening income gaps led to a general shift from the mid-priced ranges towards both premium and economy products in 2004. (Euromonitor, 2005). Table 1.2 shows the market shares of the different product groups.

- In 2005, the total consumption of functional food, natural remedies, vitamins, minerals and natural cosmetic products amounted to € 370 million. Of this total 5%, or € 18.5 million concerned natural cosmetics (Svenskegenvard, 2005).
- Not much information on the consumption of the specific product groups included in this survey is available.
- As regards the industrial demand for natural ingredients for cosmetics, information is limited to vegetable oils. However, considering the substantial size of the cosmetics industry, this demand is likely to be considerable.
- Consumption of relevant vegetable oils is shown in table 1.2. Please note that many of these products, especially palm oil, soybean oil and sunflower oil are bulk products, of which only a small part ends up in cosmetics. Because of these large volumes they are very difficult markets to enter for smaller producers.

Table 1.3 Swedish consumption of vegetable oils, 2001-2003, in 1,000 tonnes

	2001	2002	2003	Total EU-2003	Share of EU
Coconut oil	442	287	2,781	653,377	0.4%
Groundnut oil*	85	734	68	176,870	0.0%
Olive oil	4,645	5,200	5,268	2,076,858	0.3%
Palm kernel oil	272	148	12,623	642,371	2.0%
Palm Oil	-52,136	22,940	49,717	3,346,574	1.5%
Sesameseed oil	69	101	94	29,004	0.3%
Soybean oil	10,081	10,880	16,123	2,228,486	0.7%
Sunflower seed oil	7,450	10,338	11,347	2,513,203	0.5%
Other vegetable oils	130,970	135,148	121,416	5,471,860	2.2%
Vegetable oil total	**101,878**	**185,776**	**219,437**	**17,138,603**	**1.3%**

Source: FAO (2005)
*The use of groundnut oil in cosmetics is decreasing due to its allergic properties.

Production

- Sweden is home to one of Europe's larger cosmetics companies. Oriflame (http://www.oriflame.se/index.jhtml) has annual sales of € 670 million in 2004, and ranks 32nd worldwide (WWD Beauty, 2005). Another large Swedish cosmetics company is Invima (http://www.invima.se/). However, the country also has a substantial number of medium and small companies which can be encountered at (http://www.ktf.se/shygien.htm).

Table 1.4 Indication of total cultivated area, organic area and number of growers of herbs used in cosmetics in Sweden, 2003, in hectares

Scientific name	Common name	Organic/ total area*	Wild collected	number of growers
Echinacea spp	Echinacea	4		4
Chamomilla recutita	German chamomile	1		8
Artemisia abrotanum	Southernwood, lad's love	8		8
Rhodiola rosea	Rose root	0.5		1
Hypericum perforatum	St Johns Wort	2		4
Rosa sp	Rose fruits	10		
Vaccinium myrtillus	Bilberry		4000 tons	many

Source: EHGA Europam (2005)
*The reported production of cultivated herbs used in cosmetics in Sweden reported by EHGA Europam is exclusively organically certified

- As to the production of natural ingredients for cosmetics, information is available on the cultivation on herbs used in cosmetics, which is shown in table 1.4, and of vegetable oils. Furthermore table 1.5 shows medicinal and aromatic plants which are currently being tested in Sweden to determine their commercial feasibility.

Table 1.5 Medicinal and aromatic plants that currently are being tested in Sweden

experimentally in lab		commercial scale		pilot scale	
Allium	Angelica	Black currant	Dill	Sea buckthorn	Amaranthus
Echinacea	Peppermint	Marjoram		Artemisia	
Sambucus	Valerian				

Source: Ienica (2004)

- Regarding vegetable oils, Swedish production is relatively small at 106 thousand tonnes and largely limited to rape seed oil. However, production is slowly increasing.
- Many specialist fats and oils supplied by developing countries are not produced in Sweden. The same holds for raw plant material, mainly due to climatic considerations.
- No information is available on production of the other product groups covered.

Trends
- It is expected that growth in the cosmetics market will decrease considerably in the coming years, compared to the rapid growth that occurred during the review period. Declining average unit prices and the maturating of some product groups will be responsible for the anticipated lower growth in the forecast period in comparison to the review period.
- As the interest in organic and natural products remains on the increase, the market for natural cosmetics is expected to continue to increase above the rate of the conventional cosmetics market.
- No trend information is available on the production of cosmetics, natural cosmetics or natural ingredients. However, considering the organic and natural trend described above, it can be expected that Swedish companies will increasingly market natural and organic cosmetics products.

Opportunities and threats
- Sweden is a country where the interest in organic and natural products in other sectors is large and still increasing. Therefore, it can be expected that in the cosmetics sector, interest in cosmetics will remain keen. However, the Swedish cosmetic industry is not very large, and the local market is led by multinationals. Therefore, it is not necessarily the case that the substantial increases expected in end-product consumption will translate into an increased industrial demand in the country itself.
- Increased efforts to broaden and promote local production may be a threat to developing country producers, if the local production is shown to have a competitive advantage over crops currently imported into Sweden. Given the temperate climate of Sweden there is more concern over increased competition from crops grown in other temperate climates.

Useful sources
- For more information on Sweden, please refer to the 2001 IENICA report and the 2003 update report, available on http://www.ienica.net/.
- Euromonitor (http://www.euromonitor.com) also provide information on the Swedish market. Please keep in mind that only summaries are readily available, the reports themselves come at considerable cost, but do provide company names.
- Furthermore, Swedish trade associations mentioned in section 6, and the Swedish statistical agency (http://www.scb.se/default____2154.asp) can be a source of information.
- Information on the market is available at Svenskegenvard (http://www.svenskegenvard.se/).

2. Trade: imports and exports

Imports

- Swedish imports of natural ingredients for cosmetics are small in EU perspective. EU member states are the main suppliers to Sweden, indicating that the share of developing countries in imports is insignificant. Products from developing countries find their way to Sweden through other European countries.
- Imports of vegetable oils and fats increased by almost 2.4% annually, amounting to € 55 million in 2004. Almost 90% was supplied by other EU countries, mainly The Netherlands. Developing countries accounted for 10% of imports, most coming from Indonesia and Malaysia.
- Imports of vegetable saps and extracts amounted to € 22.2 million, signifying a 10.6% annual increase between 2000 and 2004. Developing countries supply 7% of this, of which more than half is accounted for by Sudan.
- Imports of essential oils amounted to € 2.9 million in 2004, signifying an annual decrease of 5.8% between 2000 and 2004. 10% is imported from developing countries, with India supplying most of this.
- Raw plant material was imported with a value of € 4.5 million in 2004, signifying an increase of 2.0% per year since 2000. 13% is imported from developing countries, with the most important being Thailand (4% of total imports) and China (2%).
- Imports of colouring matter remained stable between 2000 and 2004, amounting to € 2.4 million in 2004. 93% originates in other EU countries, especially Germany, Spain and Denmark. Only Peru, with 2% of total imports, was significant among developing countries.

Exports
- Sweden is not a large exporter of natural ingredients for cosmetics. Exports of colouring matter and essential oils are in particular negligible.
- Exports of raw plant material are stable at around € 5 million.
- Vegetable oils, fats and waxes exports increased by 37% annually between 2000 and 2004, amounting to € 90 million in 2004.
- Exports of saps and extracts increased by 40.4% annually between 2000 and 2004, amounting to € 11 million.

Opportunities and threats
- Swedish trade in natural ingredients for cosmetics increased between 2000 and 2004 and, as mentioned earlier, there is an increasing interest in organic and natural products. Therefore, exporters in developing countries can find opportunities in the Swedish market for natural ingredients.

Useful sources
- EU Expanding Exports Helpdesk
  http://export-help.cec.eu.int/ → go to: trade statistics
- Eurostat – official statistical office of the EU
  http://epp.eurostat.cec.eu.int → go to: ‘themes’ on the left side of the home page → go to ‘external trade’ → go to ‘data’ → go to ‘full view’ → go to ‘external trade’ → go to ‘detailed data’.

3. Trade structure

- In general, the same trade channels apply to Sweden as mentioned in the survey covering the EU. The traditional approach of contacting traders, intermediate processing companies, agents and wholesalers (either with or without processing capacity, dependent on the product) remains the most importance method.
- However, some end-industries can also be approached, as they also import directly from developing countries. This is especially the case for specialist niche players such as natural or organic producers.
- Although multinationals lead the market in Sweden, the country also has a substantial number of producers of its own. Company names can be encountered at (http://www.ktf.se/shygien.htm).

- Furthermore, vegetable oil processors of interest are Karlshamns AB (http://www.karlshamns.com/) and Tefac AB (which is now also a part of Karlshamns).

4. Prices

- Regarding prices of ingredients, please refer to the survey covering the EU, as the indications of prices given there do not differ from those in Sweden. Actual prices are dependent on negotiation with the companies. Interesting sources of price information are in particular the trade magazine Public Ledger (http://www.public-ledger.com) and ITC market news service (MNS) (http://www.intracen.org).
- Exporters need to have detailed production costs/volume price breaks for the ingredients that they supply. This will give them a vital reference point for any negotiations with buyers.

5. Market access requirements

- Manufacturers in developing countries should be aware of the market access requirements of their trading partners and the country government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.
- For more information, please refer to;
- CBI Database http://www.cbi.nl/marketinfo
- Taric Homepage http://europa.eu.int/comm/taxation_customs/dds/en/tarhome.htm
- Directorate General XXI http://europa.eu.int/comm/taxation_customs/common/publications/info_docs/taxation/index_en.htm

6. Business practices

For information on business practices, please refer to the following sources.

- The organics and healthy products business is fairly developed, but the cosmetic industry not the slightest. No trade events or trade press were encountered.
- Trade associations of interest could be KFT; Association of Chemical and Technical Suppliers (http://www.kft.se) and the Association for Health Products (http://www.svenskegenvad.se) (in Swedish).

This survey was compiled for CBI by ProFound – Advisers in Development
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