

CBI MARKET SURVEY

THE MARKET FOR NATURAL INGREDIENTS FOR COSMETICS IN THE EU

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REPORT SUMMARY

This market survey provides exporters of natural ingredients for cosmetics with a wide range of facts, figures and information pertinent to the European Union (EU) market. The market in individual EU countries is discussed further in separate market surveys. These market surveys can be downloaded through <http://www.cbi.nl/marketinfo>. It also includes a large number of references for additional research, primarily using the Internet.

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

- Vegetable oils, fats and waxes;
- Essential oils and oleoresins;
- Vegetable saps and extracts;
- Raw plant material;
- Natural colours.

Consumption and trends

Little information is available concerning industrial demand for natural cosmetic ingredients in the European Union. Ingredients are also traded for other end-users (e.g. the food and pharmaceutical industries), and there does not exist a harmonised definition.

Therefore, production and market figures for cosmetic end-products can be used to give an indication. Different markets of importance, described throughout this survey, are the overall cosmetics market, the natural cosmetics market and the cosmeceuticals market.

Cosmetics market

The EU is the world's largest producer of cosmetic products. The main EU producers are multinational companies like Unilever (The Netherlands/UK), L'Oreal (France), Wella (Germany), Sanofi (France), and Beiersdorf (Germany). Many of them also produce pharmaceuticals, chemicals and food.

The West-European market represents a massive share of over 47% of the global cosmetics market of € 117 billion. However, major European markets such as Italy, Germany and France all show slight sales declines or stagnant markets, both in 2004 and 2005, reflecting slow economic growth and price pressure. Eastern Europe is one of the fastest growing markets. According to Colipa, the EU15 market amounts to € 57 billion, while the new EU member states have a combined market of € 4.2 billion.

Natural cosmetics products

Within the overall cosmetics sector, the natural cosmetics market is still relatively small, but it is growing faster than the overall market. The natural cosmetics 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. Euromonitor predicts the market will grow by an average of 9% a year between 2003 and 2008. According to Organic Monitor UK, the European natural personal care market in 2004 was valued between € 700 and 1,300 million, which equates to 1-2% of the EU personal care market, or € 2.60 per person. The number of 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.

With regards to "natural" or "organic" cosmetics, Germany is certainly the most advanced of the European markets. According to the BDih, € 500 million was spent on natural cosmetics in 2004, which represent a (niche) market share of 4.5% of the total cosmetic market.

Cosmeceuticals

The market for cosmeceuticals – defined as products that contain one or more bioactive ingredient – has been growing strongly. However, future value growth is expected to decline

significantly. In Europe it is expected to be worth around € 3.6 billion by 2009, 5.5% more than the € 3.4 billion in 2005. Germany is by far the largest cosmeceutical market in the EU.

Natural ingredients

There is a growing use of new, active natural ingredients with a functional benefit, such as in cosmeceuticals. Another important trend for the natural ingredient market for cosmetics companies is the increasing requirements in the field of transparency from raw material source to finished product.

Phytofarm has estimated the world market for active ingredients used in personal care products at € 450 million in 2003, and estimates an increase of 40.5% to almost € 650 million in 2009.

The most important markets for natural cosmetic ingredients are France, the United Kingdom, Italy and Spain. At the level of product groups, however, some specialisation can be distinguished. Spain, for example, is an important market for raw plant material and natural colours, and France for essential oils. No data is available for the use of natural ingredients for cosmetics, due to the use of these products in other industrial sectors.

Trade structure

Two major trade channels exist for natural ingredients, one for "ready-to-use" or finished materials and one for crude raw materials. The products offered by producers of natural ingredients have a different starting position in the trade structure. Raw plant materials are largely unprocessed, whereas the other four products are already processed. Although producers of essential oils, natural colorants and vegetable saps and extracts from developing countries supply products that are already processed, in many cases 2nd step processing will take place in the European Union. As to raw plant material, limited processing also often takes place in the country of origin.

The most important trade channels for most developing country producers will be agents, importers, wholesalers and brokers, either with or without processing facilities. Chapter 8 also mentions the trade channels especially relevant for producers of new ingredients. Different types of traders can be distinguished. Enterprises based in the producing countries are mainly involved in the sale and export of large quantities of local products. Enterprises based in consuming countries are concerned with imports and supply of the domestic market. Wholesalers/distributors may also process raw plant material or conduct 2nd step processing of essential oils, natural colorants, vegetable saps and extracts and vegetable oils and fats, or other processing industry may perform that function.

Although some industrial users have their own purchasing department, traders and brokers still fulfil important functions, since they are well informed about the EU market. The most important trend in the trade structure is the increased focus on traceability, as a consequence of GMP requirements.

Production

Many of the natural ingredients used in the cosmetic industry come from developing countries, then are further processed and re-exported to buyers in Europe.

- EU production plays a limited role in essential oils and natural colorants.
- The EU position in plant extracts, in which it is a leading producer, and in raw plant material, with several EU countries among the top producers, is much more prominent. Wild collection is still the main source of medicinal and aromatic plants in the EU.
- EU production of vegetable oils and fats accounts for 9% of global production. However, products that are important for developing countries, such as coconut oil, sesame seed oil and peanut oil, are produced only to a very limited extent in Europe.
- The main European countries producing seaweed are France, Norway and, to a lesser extent, Spain and the United Kingdom.

EU trade and the role of developing countries

Imports by product group show a mixed picture. The imported value of vegetable oils, fats & waxes increased considerably between 2000 and 2004. However, the other product groups remained fairly stable.

The role of developing countries is prominent for several of the product groups described in this survey. Around 40% of EU imports of vegetable oils, fats and waxes, essential oils and raw plant material is supplied by developing countries. The share of developing countries for vegetable saps and extracts and colouring matter, is also above 20%.

Relating to import value, the products that developing countries export the most are coconut oil, cocoa butter, medicinal and aromatic plants and essential oils. Relating to the share developing countries hold in natural ingredients for cosmetics products, the most important products are coconut oil (76%), jasmine oil (76%), vetiver oil (70%), peanut oil (69%), geranium oil (61%), lemon oil (60%) and waxes (52%). The leading developing country suppliers of the selected ingredients are China, India, Brazil, Argentina, Indonesia and Morocco. However, for several products the share of developing countries decreased between 2000 and 2004. Decreases were especially significant for jasmine and coconut oil.

Opportunities for exporters

Firstly, please note that, in this product group, there can be opportunities both for established and new natural ingredients. Developing country producers of the former must compete on quality, price and reliability. For the latter, developing country producers should focus on innovative companies in Europe. They will require technical data on safety, functionality and use, as well as (sustainable) supply chain data. Opportunities for exporters in developing countries lie in the following product groups:

- Essential oils (geranium, jasmine and ylang ylang, citrus, vetiver, patchouli, sandalwood, mint oils, cedar wood, nutmeg and clove);
- Vegetable oils and butters (castor oil, coconut oil, peanut oil (but bear in mind its allergic properties), sweet almond oil, cocoa butter, shea butter, illipe butter). Except for cacao,, shea and illipe butter, please refer to Chapter 6 where specific opportunities lie;
- Natural colours (indigo, cochineal, carmine, curcuma/turmeric, marigold and henna)
- Botanical and functional ingredients;
- Plant extracts (*Cassia angustifolia*, *Centella asiatica*, *Tamarindus indica*);
- Organic cosmetic ingredients (especially from the above list).

1 INTRODUCTION TO CBI'S MARKET INFORMATION

CBI provides a wide range of documents containing EU market information. All CBI market information is targeted at developing countries. For the definition of developing countries used in CBI market surveys see appendix B Lists of developing countries.

Sector specific market information

CBI publishes market information for about 36 market sectors.

For each market sector, the following kind of information is available:

- CBI market surveys on **the EU market in general**, focusing on developments and trends in the field of market size (consumption, production and trade), distribution and prices in the EU as well as on marketing. E.g. The fresh fruit and vegetables market in the EU.
- CBI market surveys on **specific EU markets**, focusing on developments and trends in the field of market size, distribution and prices in the EU market concerned. E.g. The fresh fruit and vegetables market in Spain. On average, about 20 documents per market sector are available. Those EU markets responsible for the highest share of total EU imports from CBI target countries are discussed in documents of about 10 pages. Less relevant EU markets are discussed in fact sheets of about 2 to 3 pages.
- CBI market surveys on **a specific product(group)** within the market sector concerned, focusing on developments and trends in the field of market size, distribution and prices in the EU and a number of specific EU markets as well as on business practices. E.g. The EU market for papaya.
- Information on **market access requirements**, focusing on legislative and non-legislative requirements based on environmental, consumer health and safety and social concerns in the EU and in specific EU markets.

General trade related information

Besides information on specific market sectors, CBI also publishes more general trade related information, the so-called Export manuals. At the moment, the following Export manuals are available:

- Exporting to the European Union – trade-related information on the EU
- Export planner - how to plan your export process
- Your guide to market research - practical and low cost research methods
- Your image builder - how to present yourself on the EU market
- Your show master - selection, preparation and participation in trade fairs
- Digging for gold on the Internet - internet as a source for market information
- Website promotion - how to promote your website in the EU

These Export manuals can be downloaded from the CBI website at

<http://www.cbi.nl/marketinfo>. Go to 'Search CBI publications'.

How to use the different CBI market information tools

If you are new on the EU market, it is advised to start by consulting the more general Export manuals, like *'Exporting to the European Union'* and *'Export planner'*, before consulting sector specific information. If you are a more experienced exporter, you can use these manuals as reference material while focusing on the specific information for your market sector.

Concerning the sector specific information, you are advised to start with the information on the EU market in general. After consulting this information, you should have gained a better idea on which surveys on specific EU markets are most interesting to consult. It is advised also to check if a survey on your specific product (group) is available. And it is strongly advised always to check the documents on market access for your product.

Finally it is stressed that CBI market information serves as a basis for further research, meaning that you should - after consulting the CBI information - further research your EU target markets for more detailed and specific information related to your specific situation.

The market for natural ingredients for cosmetics in the EU

This CBI market survey covers the EU market for market sector. It consists of two parts: EU Market Information (Part A), and Export Marketing Guidelines (Part B).

Part A EU Market Information

Part A surveys the EU market. The emphasis of this survey lies on those products, which are of importance to developing country suppliers. Statistical market information on consumption, production and trade, and information on trade structure, prices and market access is provided. Opportunities and threats for developing country suppliers are highlighted and sources for more information are provided.

Part B Export Marketing Guidelines

How to get involved in the EU marketplace? Should exporting be part of a business plan? These are common concerns of manufacturers who realise the importance of international trade, but are not sure if exporting to the EU is right for them. That is what Part B is all about: to help you to evaluate whether or not to get involved in international business, and learn how to go about exporting to the EU.

The first Chapters 11, 12 and 13 deal with three out of four strategic steps in export marketing: the external analysis and internal analysis (Chapter 11 and 12), a SWOT and the decision-making process whether or not to export to the EU (Chapter 13).

Subsequently, Chapter 14 provides information and sources to enable you to further investigate what would be suitable to export, to which EU markets, through which channels, and at what prices. In other words, which marketing tools can be used for building a successful business relation in the EU? The combination of Chapters 11-13 and the elements of Chapter 14 provide tools that should enable you to draw up a Market Entry Strategy and Export Marketing Plan (fourth strategic step).

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

Part B is especially interesting for more experienced exporters. If you are a starting exporter, it is advised to read this survey together with CBI's '*Export planner*' and to use the interactive tool '*EMP Document Builder*' on the CBI website.

CBI market surveys covering specific EU markets, specific product(group)s or documents on market access requirements can be downloaded from the CBI website. Go to 'Search CBI database' on <http://www.cbi.nl/marketinfo> and select the market sector concerned and an EU country.

2 INTRODUCTION TO THE EU MARKET

The European Union (EU) is the current name for the former European Community. Since January 1995, the EU has consisted of 15 member states. Ten new countries joined the EU in May 2004. Negotiations are in progress with a number of other candidate member states. In this survey, the EU will be referred to as the EU25, unless otherwise stated. Due to the fact that consumption figures are given for each of the 15 “old” member states, but for the 10 “new” member states as a group, the text will also refer to the EU15 when speaking of the old member states and the EU10 for the new member countries.

For general information on EU member states, reference is made to CBI’s Export manual *‘Exporting to the European Union’*. The European Union lists all current member states, candidate member states and other European countries at http://europa.eu/abc/governments/index_en.htm. These country portals give you links to information sources for each country.

Monetary unit: Euro

On 1 January 1999, the Euro became the legal currency within eleven EU member states: Austria, Belgium, Finland, France, Germany, Italy, Ireland, Luxembourg, The Netherlands, Spain, and Portugal. Greece became the 12th member state to adopt the Euro on January 1st, 2001. As of January 1st 2007, Slovenia will also be allowed to introduce the Euro. 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. In CBI market surveys, the Euro (€) is the basic currency unit used to indicate value.

Table 2.1 Exchange rates of EU currencies and the US dollar in €

Country	Currency	2005	June 2006
Cyprus	CYP	1.741	1.745
Czech Republic	CZK	0.034	0.035
Denmark	DKK	0.134	0.134
Estonia	EEK	0.064	0.064
Hungary	HUF	0.004	0.004
Latvia	LVL	1.439	1.442
Lithuania	LTL	0.290	0.290
Malta	MTL	2.329	2.330
Poland	PLN	0.249	0.250
Slovakia	SKK	0.026	0.026
Slovenia	SIT	0.004	0.004
Sweden	SEK	0.108	0.108
United Kingdom	GBP	1.463	1.457
United States	USD	0.805	0.789

Source: Oanda <http://www.oanda.com/> (July 2006)

Statistics

Trade figures quoted in CBI market surveys must be interpreted and used with extreme caution. In the case of intra-EU trade, statistical surveying is only compulsory for exporting and importing firms whose trade exceeds a certain annual value. The threshold varies considerably from country to country, but it is typically about € 100,000. As a consequence, although figures for trade between the EU25 and the rest of the world are accurately represented, trade within the EU25 is generally underestimated.

Furthermore, the information used in CBI market surveys is obtained from a variety of sources. Therefore, extreme care must be taken in the qualitative use and interpretation of quantitative data, it puts limitations to in-depth interpretation of relations between consumption, production and trade figures within one country and between different countries.

3 PRODUCT CHARACTERISTICS

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, patchouli, sandalwood, mint oils, cedar wood, 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).

The cosmetics industry uses natural ingredients in conventional cosmetics, natural cosmetics and cosmeceuticals. Furthermore, there is also a market for organically certified natural ingredients for cosmetics. Each of these sectors will be discussed in Chapter 4 on industrial demand.

For a list of botanical ingredients which could be used in cosmetics and toiletries, please refer to the CTFA Internet site (under consumer information):

<http://www.ctfa.org/Template.cfm?Section=Botanicals&template=/ContentManagement/ContentDisplay.cfm&ContentID=1489>.

It is important to note, however, that most of the ingredients are not only traded to the cosmetic industry, but also find their way to the food and pharmaceutical industries. Partly due to this reason, data regarding the use of natural ingredients for cosmetics are scattered and difficult to obtain. Moreover, companies are hesitant to share data. For more information on these markets, please also refer to CBI's market surveys "*Food Ingredients for Industrial Use*" and "*Natural Ingredients for Pharmaceuticals*".

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 covers 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. More than 179 countries and economies use the system 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. The trade data of Eurostat uses an eight-digit system. Most codes, however, end with two zeros, i.e. effectively only using 6 digits. In some countries even 10 digits are sometimes used.

Please refer to Appendix A for a list of the selected products and their HS codes.

The HS classification given differs from the product groups and products mentioned in the paragraphs above, this puts limitations to in-depth interpretation and of the possible relations between import and export figures on the one hand and consumption and production figures on the other hand.

Most of the natural ingredients used in the cosmetic industry do not have an exclusive HS Code but are incorporated in a broader product code. For example, vegetable oils, fats and waxes are included in one overall product group together with animal fats and oils. A four to six-digit list of the main product groups is presented in Appendix A. These product groups can be further divided into sub-groups to the extent of ten digits.

4 INDUSTRIAL DEMAND

4.1 Market size

4.1.1 Segmentation of the market for natural ingredients for cosmetics

New and established ingredients

The market for natural ingredients can be segmented at different levels. Firstly, there is a clear difference between established ingredients, with a focus on quality, price and consistency, and new ingredients with a focus on new functionality, safety and complying with regulations.

Processing industries and end-users

Secondly, the market for natural cosmetic ingredients is divided into a segment for the processing industry and one for end-product manufacturers. In the processing industry herbal extraction houses, milling operations, essential oil distillers, farms with processing facilities, nut and seed oil producers and wholesale distributors with value-adding capabilities are all of importance. As to the end-industry, natural ingredients are used in conventional cosmetics, natural cosmetics and cosmeceuticals. Furthermore, there is also a market for organically certified ingredients for cosmetics. Each of these sectors will be discussed in Chapter 4 on industrial demand. As the organic segment is still very limited in size, but has good potential, it will be discussed in the section on trends.

Types of ingredients

Thirdly, the market is also segmented into types of ingredients 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. Unfortunately, no figures are available concerning the industrial 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). Moreover, considering the lack of a harmonised definition, it is not surprising that reliable market figures are hardly available.

However, production figures for EU companies manufacturing cosmetic end-products can be used to give an indication of the consumption of cosmetic ingredients in the EU. Please note that the information used in this Chapter originates in several sources, most of which use different definitions for cosmetic and personal care products, etc., thus making comparisons more difficult.

4.1.2 The market for cosmetic products

Different product groups can be distinguished. Within cosmetics; the important ones being;

- *Beauty and personal care product manufacturers*; decorative (eye and facial makeup, nail polishes, lipsticks, tattoos), deodorants, skin care (skin conditioners, gels, lotions and creams, masks, massage oils, moisturizers, toners), shaving products (shaving cream, after-shave lotion), suntan and sunscreen products
- *Hair care product manufacturers*; hair colouring products, hair growth products, herbal shampoos, conditioners, oils, rinses and styling gels.
- *Perfume and fragrance product manufacturers* (It is worth noting that in general, the fragrance industry is mainly located in France, while in general German industry focuses more on processing extracts and vegetable oils)
- *Cosmeceuticals*

Most of the product groups also have a natural equivalent, with important ones being bath products, aromatherapy bath products, bath milks and oils, herbal baths, shower and bath gels

and soaps. However, today's formulations for products like shampoo and bath gel often contain the least amount of what we defining as natural.

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/UK), L'Oreal (France), Wella (Germany), Sanofi (France), and Beiersdorf (Germany). Many of them operate across a wide spectrum, being involved in sectors such as pharmaceuticals, chemicals, food and household products.

Table 4.1 World market for cosmetic products, 1991-2005 in € billion, annual growth in %, excluding exchange rates impacts

Year	1991	1995	2000	2002	2004	2005
Total sales	63.4	74.1	95.9	104.6	112.5	116.7
Annual growth	4.8	3	4.9	4.6	3.4	3.7

Source: L'Oreal (2006)

The global market for cosmetics in 2005 was valued at € 116.7 billion, constituting a growth of 3.7% since 2004. As can be seen in table 4.1, growth rates have been relatively stable the last 15 years. The West-European market represents a massive share of over 47% of the global cosmetics market. However, major European markets such as Italy, Germany and France all show slight sales declines or stagnant markets, in 2004 as in 2005, reflecting slow economic growth and price pressure. North America takes a second place, with almost 27% of total global sales. The rest of the world, with major markets including Japan and other East Asian countries and Latin America, accounted for 25.4% of this market. Western Europe also leads in per capita spending on cosmetics with € 83.3 per person. This is slightly higher than in Japan (€ 82.0), North America (€ 73.1) and much higher than in the world's less developed regions, such as the rest of Asia (€ 5.3) and South America (€ 10.3) (L'Oreal, 2006).

Table 4.2 EU market for cosmetics, 2002-2004 at retail sales prices (RSP), in million €, average annual change in %

	2002	2003	2004	Average annual change
Germany	11,090	11,248	11,046	-0.2%
France	10,048	10,386	10,382	1.7%
United Kingdom	8,414	8,549	9,187	4.5%
Italy	8,014	8,317	8,462	2.8%
Spain	5,927	6,384	6,795	7.1%
The Netherlands	2,362	2,424	2,427	1.4%
Belgium/Luxembourg	1,572	1,651	1,682	3.4%
Sweden	1,167	1,244	1,338	7.1%
Greece	1,173	1,218	1,280	4.5%
Austria	1,160	1,190	1,212	2.2%
Portugal	1,020	1,040	1,091	3.4%
Denmark	812	839	879	4.0%
Finland	618	641	672	4.3%
Ireland	500	514	521	2.1%
EU15	53,877	55,645	56,974	2.8%
New EU countries	n.a.	n.a.	4,200	n.a.
EU25	n.a.	n.a.	61,174	n.a.

Source: Colipa (2004-2005)

Please note that information on 2001 was not included in this table, as it is not available for all countries. However, several country surveys do contain such information.

According to Colipa (The European Cosmetic, Toiletry and Perfumery Association), the EU15 market for cosmetic products continued its upward momentum in 2004, amounting to almost €

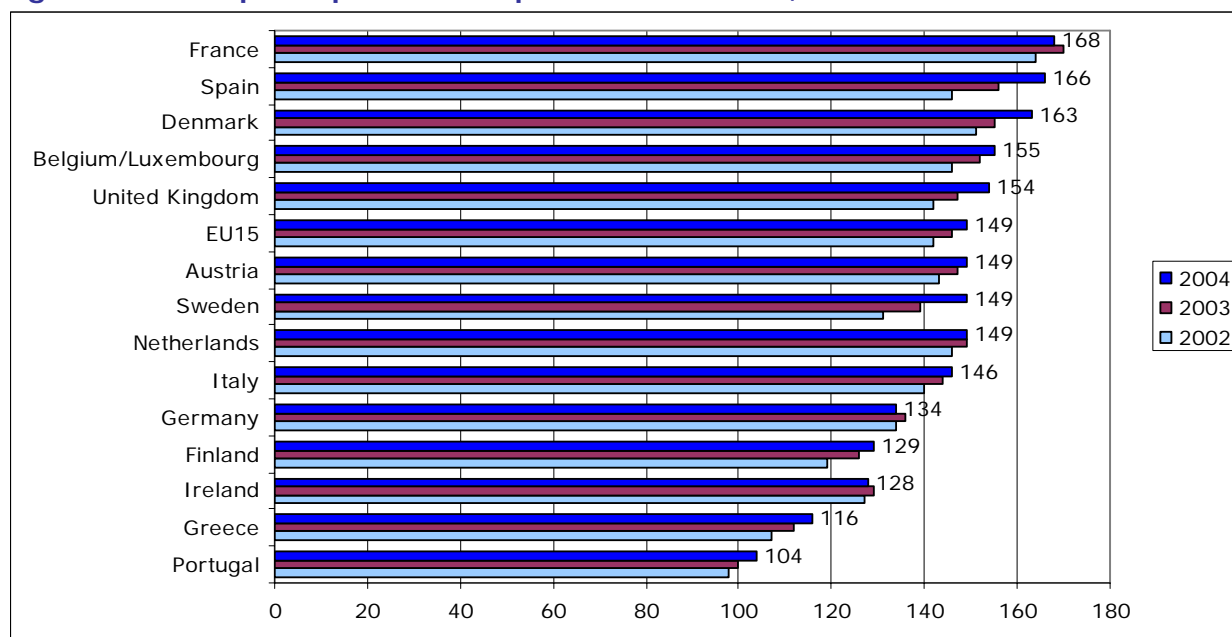
57 billion. This is an increase of 28% since 2001, when total sales amounted to € 44.4 billion, but is only a 2.4% increase compared to 2003. In new EU member states (Cyprus, the Czech republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia), the cosmetics market was valued at nearly 4.2 billion euros in 2004, which would put total EU25 sales at € 63.5 billion, somewhat higher than L'Oreal's estimate.

In 2004, the five largest national markets – Germany, France, the United Kingdom, Italy and Spain – accounted for 73% of the market in the European Union. It is therefore not surprising that the trends in these countries for a large part determine the trends in EU as a whole. With the addition of The Netherlands and Belgium/Luxembourg, the seven biggest national markets currently cover almost 90% of the EU25 market.

Although showing a moderate growth, the market in Europe was negatively impacted by a slight decrease in the largest market (Germany) and slow growth in France. This was mainly due to the economic situation in both countries. The Netherlands also showed an almost stagnant market in 2004. In contrast, countries such as the United Kingdom, Spain and Sweden continue to show high growth rates.

Although Germany is the largest EU market, Germans only spend € 134 a year on cosmetics. The largest spenders can be found in France, where the per capita consumption amounts to € 168, followed by Spain with a fast growing per capita consumption of € 166. Central- and East-European member states continued to demonstrate strong rates, with Hungary (+7.5%) and Czech Republic (+7%) being the fastest growing C&T markets.

Figure 4.1 EU per capita consumption of cosmetics, 2002-2004 in €



Source: Colipa (2005)

Haircare is the leading product group within the retail sales of cosmetics, followed by toiletries, skin care, perfumes & fragrances and decorative cosmetics. The skin care market showed the highest increases in 2004, 4.2% on average. Interesting to note is that this is the case in Western Europe. In Eastern Europe, fragrances are the fastest growing product group, with a growth of 17%.

Table 4.3 European market share cosmetics product groups, 2004, € billion, % of total sales, at retail sales prices (RSP)

Country	Fragrances perfumes		Decorative cosmetics		Skin care		Hair care		Toiletries	
	€ billion	%	€ billion	%	€ billion	%	€ billion	%	€ billion	%
Germany	1.26	11.4%	1.26	11.4%	2.46	22.3%	2.81	25.4%	3.26	29.5%
France	1.84	17.7%	1.09	10.5%	3.12	30.1%	2.43	23.4%	1.90	18.3%
United Kingdom	1.31	14.3%	1.37	14.9%	1.72	18.7%	2.30	25.0%	2.49	27.1%
Italy	1.10	13.0%	1.13	13.4%	2.23	26.3%	1.78	21.0%	2.22	26.2%
Spain	1.60	23.5%	0.58	8.5%	1.69	24.8%	1.61	23.7%	1.33	19.5%
The Netherlands	0.32	13.2%	0.29	12.1%	0.55	22.5%	0.63	25.8%	0.64	26.4%
Belgium/Luxembourg	0.30	17.6%	0.18	10.9%	0.38	22.5%	0.50	29.7%	0.33	19.3%
Sweden	0.10	7.8%	0.24	17.9%	0.27	20.2%	0.39	28.9%	0.34	25.3%
Greece	0.14	10.8%	0.14	11.2%	0.35	27.2%	0.43	33.2%	0.23	17.7%
Austria	0.13	10.7%	0.19	16.0%	0.27	22.0%	0.31	25.6%	0.31	25.7%
Portugal	0.20	18.0%	0.07	6.3%	0.24	22.1%	0.33	30.2%	0.26	23.4%
Denmark	0.16	18.3%	0.10	10.8%	0.17	19.3%	0.28	32.2%	0.17	19.3%
Finland	0.03	4.2%	0.10	14.3%	0.16	23.7%	0.24	35.4%	0.15	22.5%
Ireland	0.08	14.8%	0.08	14.8%	0.11	20.3%	0.11	20.7%	0.15	29.4%
EU15	8.56	15.0%	6.83	12.0%	13.70	24.1%	14.13	24.8%	13.76	24.1%

Source: Colipa (2005)

In 2004, the whole hair-care category increased by 0.8%, but sales were down in France (-0.4%), Germany (-1.9%), and The Netherlands (-1.4%) while they increased significantly in Portugal, Spain and Denmark. The market for fragrances and perfumes showed moderate results, gaining 1.5% in the EU15 in 2004, a slight improvement compared to 2003 (+0.9%). The segment was driven by substantial growth in the U.K (+11.1%) but Germany and France, the two largest markets, fell by 1.5% and 2.2% respectively.

Table 4.4 The world's top-20 beauty companies in 2004, ranked by revenues from beauty products only, in € billion

Company	revenues in € million	Company	revenues in € million
L'Oreal Group (France)	14,200	Limited Brands (USA)	2,412
Proctor & Gamble (USA)	13,250	LVMH Moët Hennessey	2,153
Unilever PLC (Neth./UK)	7,495	Louis Vuitton (France)	2,140
Shiseido Co. Ltd. (Japan)	4,728	Chanel (France)	2,094
The Estée Lauder Cos. Inc. (USA)	4,655	Henkel KGAA (Germany)	1,769
Avon Products Inc. (USA)	4,181	Colgate Palmolive (USA)	1,688
Beiersdorf AG (Germany)	3,459	Coty Inc. (USA)	1,530
Johnson & Johnson (USA)	3,216	Yves Rocher (France)	1,528
Alberto-Culver Co. (USA)	2,515	Mary Kay Inc. (USA)	1,412
Kao Corp. (Japan)	2,418	Kanebo Cosmetics Inc. (Japan)	1,237
		Kose Corp. (Japan)	

Source: WWD Beauty 100 (2005)

4.1.3 Natural cosmetic products

The demand for natural ingredients is prevalent across all food and non-food categories. The "natural" market is still relatively small, but it is growing faster than the overall cosmetics industry.

The natural segment of the personal care and cosmetics industry is extremely difficult to characterise. The size and approach of the companies differ considerably. At one end of the spectrum some 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. At the other end of the spectrum other companies, usually small to medium size, aim to use 100% 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 an increasing entry into this arena by the large mainstream manufacturers. Thanks to the latter, natural cosmetic products are common on the market.

Euromonitor predicts that the natural/organic skin care, hair care and colour cosmetics markets will grow by an average of 9% a year between 2003 and 2008. This growth is expected to provide a boost to the total cosmetics sector, which is forecasted to grow by only 1% a year to 2009. According to GCI, by 2006, the global market for natural beauty products will be almost € 8 billion. There is no clear market data for the current size of the EU natural cosmetics market. According to Organic Monitor UK, the European organic personal care market in 2004 was valued between € 700 and 1,300 million, which equates to 1-2% of the EU personal care market. € 2.60 per person is spent on natural cosmetics, as compared to € 26 on organic food.

Within Europe, Germany is certainly the most advanced of the European markets. According to the BDih, € 500 million was spent on natural cosmetics in 2004, which represent a (niche) market share of 4.5% of the total cosmetic market. According to Retail Intelligence, the market for "green" cosmetics in Germany is growing by 10-20% annually. German producers see a less profound increase with annual growth around 5%, which still greatly outperforms the overall market. A survey by a German monthly magazine revealed in 2004 that 50% of German women prefer natural cosmetics. However, many believe that they already use them, though this is caused by misleading advertisements (BDih).

Considering the availability of organic cosmetic products, in the United Kingdom there was a boom in the number of companies certified by Soil Association from 15 in 2004 to 40 in 2005.

4.1.4 Cosmeceuticals

Since cosmeceuticals are an important trend and opening for natural ingredients, they will be described separately. Specific trends in this field will be discussed in Section 4.2.

Cosmeceuticals have an effect on the body and by definition cannot be "cosmetics," but neither are they formulated nor regulated such as Over-The-Counter pharmaceutical products. A good information source on cosmeceuticals can be found at <http://www.teknoscienze.com/images/documenti/agro/GIOVANNINI.pdf>. Cosmeceuticals are typical cosmetic-pharmaceutical hybrids intended to enhance health and beauty. Some are naturally-derived and some are synthetic, with herbals gaining increasing popularity. Typically cosmeceutical ingredients such as vitamins, minerals and plant/animal extracts such as omega 3s, GLA and co-enzyme Q-10 are highly processed and not dissimilar to pharmaceutical ingredients.

The cosmeceutical market is evolving rapidly because of new raw materials, better insight into skin physiology, and changing consumer demands. The market for cosmeceuticals – defined as products that contain one or more bioactive ingredient – is growing apace, but with future value growth expected to decline significantly. In Europe it is expected to be worth around € 3.6 billion by 2009, 5.5% more than the € 3.4 billion in 2005 (2005 exchange rates as of

Oanda). Germany is by far the largest cosmeceutical market in the EU. The US is tipped to reach € 3 billion by 2009 (Cosmetics design).

The majority of cosmeceuticals has targeted skin care, with special emphasis on the sub-category of sun care, with 60% of demand in 2005. The next biggest category is hair care with 15%. Another 7% goes to the professional market and remains unspecified (Phytopharm, 2006). Cosmeceutical body care formulations have been limited, and cosmeceuticals are, almost by definition, not found in the decorative cosmetics segment. A document providing additional information and examples of herbs used in different cosmeceutical products is available at http://www.in-cosmetics.com/files/incos05_Phytopharm.pdf.

The drive to develop cosmeceuticals is often strongest among companies which operate simultaneously in both cosmetics and the pharmaceutical field for whom research, development and marketing crossovers can be most effectively harnessed.

4.1.5 The market for natural ingredients for cosmetics

Section 4.1.2 to 4.1.4 mainly focussed on the end-industry, although specific products of interest were mentioned. Regarding ingredients, Phytopharm has estimated the world market for active ingredients used in personal care products at more than € 450 million in 2003, and estimates an increase of 40% to almost € 650 million in 2009 (exchange rates as of Oanda.com). For example, the market for aloe vera alone comprises € 28 billion in finished products, with raw materials bought for a total of around € 60 million (2005 exchange rates, Oanda.com) (Phytopharm, 2006). The market size for natural ingredients in the EU is not available.

Where available, information will be given below on specific product groups.

Public Ledger reports a weak demand for several vegetable oils. Demand for coconut oil is still considerably below 2003 figures, due to problems in major coconut oil producing countries such as the Philippines and Malaysia. Palm oil supply also outstrips demand, with Malaysian stocks growing significantly. However, increasing demand from China is driving up world prices. In general however, global trade in oils and fats is continuously increasing. It is important to note that these oils are hugely important for the food industry and fractions are used in the cosmetics industry. The negative impact on the cosmetic industry is questionable.

In 2003, the latest year for which FAO provides information, consumption (as measured by domestic supply- which is based on the net result of domestic production, plus imports minus exports plus changes in the stocks) of vegetable oils amounted to 17.1 million tonnes, signifying an increase of 3% since 2001. Of interest to developing countries is the consumption of palm oil (3.34 million tonnes, +6.5%), coconut oil (653 thousand tonnes, -24%), peanut oil (177 thousand tonnes, -3%) and sesame oil (29 thousand tonnes, -24%) (FAO, 2006).

Organic certified vegetable oils are emerging as a sustainable development in natural cosmetics. Due to the increasing production of organic fruits, a broader range of organic vegetable oils is available to the market. The "hottest" new vegetable oil by reporting time is "Passion Fruit" oil for a number of cosmetic applications.

With respect to the product group essential oils, increasing price pressure is making it more challenging for fragrance suppliers, as their clients (big cosmetic and food companies) are increasingly consolidating. These pressures are also driving consolidation among fragrance houses. This will reduce the customer base for ingredient suppliers to the fragrance industry (Public Ledger, January 2006).

The essential oil market has organised supply through the EFEO business association <http://www.efeo-org.org/index2.htm>. New discussions emerged within the sector about the availability of genuine and authentic essential oils and their certification possibilities.

As a general tendency, it is observed that (small) producers of essential oils are facing more and more challenges in their market entry because of the additional legal requirements for product documentation and tracking through the GMP requirements for supplier audit.

Regarding vegetable saps and extracts (gums, resins, other vegetable saps and extracts), it is interesting to note that the future of several natural gums and resins is constricted due to supply problems, as well as severe competition from synthetics. Natural gums such as gum ghatti, gum tragacanth and gum karaya are, little by little, disappearing from trade. They are being substituted by guar gum. Also the number of traders handling gums and resins in the importing countries has declined considerably in the past 10-20 years. Buyers now have a fairly wide choice of exporters from which to choose. Intense competition exists between the comparatively few firms which now remain in this generally declining market. The USA and the EU are the largest regional markets, each accounting for a little less than one-third of the global market. Asia and Latin America are growing faster than the USA and the EU. In general, the largest markets in Europe are, in order of importance, Germany, the United Kingdom, France and Italy. Gums and resins traditionally have more functional benefits in a cosmetic product – thickening etc - rather than any specific cosmetic benefit.

Other than for pharmaceutical applications, the processing and the offer of plant extracts from European companies is (still) leading the world market. Reasons are different climatological regions and different skin (colour).

Information is not available for natural colorants in general, as the market for colorants is specialised and extremely closed. Obtaining information from European companies can be difficult as most are not very keen to providing any. The natural colorants industry is grouped in established and EU registered colours, natural colours like the red colours from *Bixa orellana*, and others.

4.2 Patterns and trends in industrial demand

Trends in cosmetics

Before turning to the natural cosmetics market and its trends, some noteworthy general cosmetics trends are:

- Increasing penetration of private labels: Average penetration for private labels currently runs at 23% in Europe, with the UK the highest at 35% and Italy having the lowest rate, at 13%. Famous brands are suffering, particularly in the UK market where the competition is getting tougher. Therefore “famous brand manufacturers should fall back on their larger research and development resources and budgets, in an effort to product more innovative products” (Cosmetics Design Europe, 2006).
- Emergence of “Megabrands”: Leading global manufacturers will be, and are already, investing considerably more to develop a handful of key brands in several sectors. The skin care sector, currently the most vibrant and fastest-growing, is likely to be the focus for this development.
- On-line sales are increasingly important. In Europe, the UK is widely viewed as one of the most advanced markets for on-line cosmetics sales.
- On-the-way-cosmetics: As people spend more time away from home but want to maintain their personal care routines, the market for products used on-the-go is set to increase by 73 per cent in Europe. The market will be worth an estimated € 5.5 billion by 2009.
- Do-it-yourself skin care procedures and sexual health products are interesting new development areas. Cosmetics Design Europe also points to the increasing prominence of natural products (Cosmetics Design Europe, 2005).

A representation of innovation demands in the last three decades is shown below.

	1980s	1990s	2000s
Hair care	Cleansing Conditioning Styling Colouring	Multi-functionality Mildness "Natural"	Targeted products Colour-specific Texture-specific Mildness "Natural" Colour-life extension
Skin Care	Cleansing, Soaps Moisturising Makeup Sun tan products	Cleansing Anti-aging UV protection Mildness Antibacterial Pore strips	Sun-less tanning Professional products UVA-UVB protection "Natural" Targeted anti-aging Targeted skin-care

Source: Kline, 2006¹

Trends in natural cosmetics

The natural cosmetics market is enhanced by:

- Greater per capita expenditure.
- Growing awareness of personal well-being and looking good, among different consumer groups.
- Ageing, richer and more diverse population and increased interests in unknown products.
- Interests in natural ingredients and products.
- Trading up to higher-priced, value-added products (both up-scaling of mass-brands as the continuing increase in mass marketing of premium brands).
- Product innovation & niche marketing which is highlighting new "needs" (for example increased focus on male cosmetic products). This is accompanied by and catering to an increased segmentation and complexity (both in age, gender and life stage with increasingly blurred boundaries as well as differentiation between different societal categories).
- Linked to this, an increasing drive to individualism and self expression, connectivity and belonging to groups and communities.
- Convenience: Products increasingly need to be suitable and easy to use.

These trends both lead to the importance of marketing for specific market segments (for example mothers or children) and focussed product innovation, but also influence the use and popularity of natural ingredients. The trend is veering away from products that superficially enhance beauty, but have no biological effect, to so-called therapeutic products and cosmeceuticals that might repair damaged tissues, moisturise etc. It is increasingly important that the natural ingredient has some functional benefit. According to the Natural Marketing Institute (NMI), 28% of the general population agrees that natural personal care products should be fortified with functional ingredients.

Euromonitor presented general consumption trends at In-Cosmetics 2006, which this year had a special natural focus. These trends influence the consumption of natural cosmetic products in general and, indirectly, also the use of natural ingredients in cosmetic ingredients.

- Value-added naturals help boost sales in stagnant markets and form a major marketing and new-product drive for many companies. This boosts the demand for natural ingredients development in most sectors of the cosmetics market. However, some companies simply "dust" their products with non-functional amounts of ingredients intended to be functional so that a label claim can be made, while others "green wash" by marketing products as natural and sustainable, even when they are neither in reality. As a consequence, there is a growing use of new, active natural ingredients with a functional benefit.
- There is also much demand for new products, because the safety of chemical compounds is questioned, but also a demand for older natural ingredients.

¹ This document "Innovations in Personal Care – Challenges facing raw materials suppliers and their customers" and other interesting trend reports can be found at <http://www.in-cosmetics.com/page.cfm/link=145>

- Demand is especially very dynamic (not necessarily always strong, just with much interest in new products, high acceptance rate in product launches etc.) in the USA, Germany (especially skin-care) and the UK.
- The key sectors for natural ingredients for the coming year(s) are skin care (with Germany as the major market), bath-shower products, hair care and baby care.
- In these sectors, consumers are hardly deterred by high prices (especially in baby care as there the negative influence of chemical products is felt more acutely by consumers).
- Moreover, the natural ingredients products in these sub-sectors are permanently out of the hippy spectrum and are now considered hip, with major popular role models appearing in American and European marketing campaigns.
- Natural products also have become much more widely available, with mass retailers and cosmetics giants entering the market. These sectors spearhead the overall development within the natural cosmetics sector.
- Holistic lifestyles will increasingly include integrative health awareness solutions. Complete systems combine skin care and diet, with popular products such as ginger, turmeric, mushrooms.
- Multinationals step in: Both manufacturers (L'Oreal with the acquisition of The BodyShop, Colgate-Palmolive with many new product launches and Estée Lauder with innovative up-market products) and retailers (discounters such as Wall Mart and Aldi, Marks and Spencer, Topshop). The increasing dominance by large companies is perceived by some as a positive development (they see it as ensuring higher quality, safe and more effective products and a way to create more environmental and social awareness). Others view it as a threat to the smaller end of the industry, which has closer ties to herbalism and traditional use.
- However, it remains to be seen how these companies can assure the credibility of these newly introduced or acquired brands within their total company image, which is not natural or organic.
- Moreover, Laird and Pierce (2002) mention increased standardisation and chemical characterisation of products, increasing dominance of single preparation products, away from multiple herb products, and increasing prevalence of extracts instead of capsules on the level of type of product.

Drivers of the development of natural products in specific high growth natural sectors are:

In Baby care

- Naturals are considered inherently safer for babies also due to marketing campaigns.
- Aromatherapy has entered the baby market with products such as lavender (by Vuitton) which have relaxing effects on babies.
- New products being used in natural products for babies are vitamins, goat's milk, oat meal, lavender, camomile.
- Not only niche players, but also mass market conventional companies enter the market.

In Bath/shower

- In the conventional market this sub-sector is growing by only 3% annually, so companies are frantically looking for value addition.
- Here, mostly aromatherapy helps to boost sales in otherwise slow markets.
- Increasingly, food ingredients appear in these products. For example, next to more common ingredients such as peach, egg etc. new ingredients such as rice, honey, goats milk, cocoa, olives and soy are appearing.
- Prestige players are rapidly expanding their natural product offering in this sub-sector. Major organic lines are also being launched. Prestige brands are less price sensitive, have lower volume requirements and are focussing on innovation. This makes it possible for smaller companies to do well in this market, whereas low volume requirements make it unprofitable for bigger companies.
- Mass players also extend their presence by broadening their existing ranges, using old favourites such as aloe, shea butter, green tea, which were used in other sub sectors (e.g. hair care and skin-care) and relying on consumer familiarity with the benefits of these products.

In Hair care

- Traditionally more strong presence of natural products. Hair conditioning and anti-dandruff agents are of less interest.
- In this sub sector it is the small producers that lead innovation. Unilever and P&G are more active producers among the large companies.

In Skin care

- Traditionally more natural ingredients than in other sectors. Regarding anti-aging products, there is much competition with non-natural science based products. However, although not many new products are taken into consideration, the portion of natural ingredients in formulations in the sector is increasing steadily. Interesting categories therefore, are anti-ageing agents, moisturisers and skin lightening agents.
- Main ingredient at this time is cranberry (followed by chocolate, spices, strawberry and in the future perhaps alcoholic drinks (wine in France, beer in the Czech Republic)).
- Integrative approaches (joint use with functional foods) are increasingly important in this sector.
- Private labels are increasingly responsible for boosting total natural skin care sales, but do have a negative pressure on margins.

Future developments to watch out for

- Current products where concern exists about the effects of chemicals, such as perfumery and deodorants, might be future growth sectors.
- Natural will increasingly become organic or regulated (considering developments in that direction, pushed by Europe's main certifying bodies such as Ecocert, SoilAssociation, AIAB and BDIH).
- Organic private labels will increasingly penetrate the natural cosmetics market, also hard discounters (Aldi and Lidl already started in The Netherlands).
- Internationalization of the industry.

Source: Presentations In-Cosmetics 2006 of Euromonitor, Ecocert, Kline, Soil Association, AIAB, BDIH, consultant information.

As was mentioned previously, specific information on the market and future trends for natural ingredients, especially for natural ingredients, are extremely difficult to come by on a country basis. Added to this are the difficulties encountered when looking for comparisons between countries. This is due to the difference in measurement and the qualitative nature of (the limited) information. Therefore, for information on a country basis please refer to the country survey of your interest.

Natural cosmeceuticals

There are several rapidly growing areas within the natural cosmeceutical category, of which a few are listed below. Cosmeceuticals have no regulatory definition in the EU and information on the sector in the EU is very limited and intertwined with information on nutraceuticals (see <http://www.in-cosmetics.com/page.cfm/Link=26>, bottom of page). The below is therefore more a reflection of the US market.

- Sun care: Companies are adding botanical ingredients, like green tea and genistein, to hair care products and skin care products with anti-oxidant properties, which relates to concerns about skin damage becoming more prevalent. Of interest is also the search for natural UV filters using plants such as arnica, hammamelis and walnut to complement the ingredients used in sun care products.
- Antioxidants: Related to sun care antioxidants like vitamin C and sea buckthorn used in skincare products to counter stress and pollution effects.
- Anti-aging products: Ingredients mentioned are chaparral and white tea, addressing wrinkles, and ursolic acid from uva ursi, dealing with skin lightening and skin tone.
- Anti-cellulite: As obesity becomes more prevalent, skin firming agents such as bupleurum become commonplace.
- Anti-bacterial/Anti-inflammatory: Ingredients such as avocado, tea tree oil, uva ursi, echinacea and even rosemary have properties dealing with inflammation, rashes etc.

Herbals are also gaining increasing popularity in the cosmeceuticals industry. L. Denzil Philips (2002) mentions *Cassia angustifolia* extracts, *Centella asiatica*, tamarind polysaccharides and tea (both green and white) as interesting. Companies are increasingly searching the plant kingdom for therapeutic cosmetic ingredients to bring to market. Other researchers are looking for plants rich in anthocyanins, which are known to have effective free radical-scavenging attributes, such as *Aronia melanocarpa*. Other interesting plants along with their therapeutic activity include:

Product	Function	Product	Function
• Apricot	anti-keratin	• Ganoderma	anti-tumour
• Cactus	tightening of skin	• Horsetail	anti-inflammatory
• Cassia	moisturising	• Luffa	blood circulation
• Centella	skin repair	• Melon	hydration
• Chestnut	cell membrane protection	• Peach	anti-ageing
• Cucumber	moisturizer	• Peony	astringent
• Echium	skin rugosity (wrinkles)	• Perilla	anti-allergy

Spa inspiration and traditional formulae of historical significance (e.g. Ayurveda) are important segments of the cosmeceutical market. Many cosmeceutical ingredients are botanically-derived and these plants are found all over the world. They are therefore already customized to the original ethnic people living in the areas in which they grow and can target ethnic populations in Europe as well as groups with ethnic interests.

Regarding 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 product exceeds 70/80% 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.

Please note also that, although European producers are searching for new products, it often seems difficult for producers in developing countries to sell new ingredients on the EU market. Except for the mentioned functional natural ingredients, innovation is more likely to be found in new products and concepts than in ingredients. This is also influenced by the increasing importance of non-tariff trade barriers such as REACH.

Organic or certified ingredients

Natural products are not necessarily organic. However, there exists a clear trend for natural products to move more into the direction of organic production. This trend in personal care products emerged in the wake of the food sector. Natural cosmetics are gradually shaking off their niche, cottage-industry image and gaining more widespread consumer acceptability. The efforts made by certification bodies, such as Ecocert, and the development of a European-wide harmonised standard for organics, will undoubtedly further boost sales of the category. Mintel reported an increase in baby toiletries making organic claims, while other organic launches offer other value-added ingredients (Mintel, 2006).

As the major developed markets have reached maturity and offer limited scope for volume growth, a focus on value-added products provides cosmetic companies with opportunities. When adding more value to commodities such as essential or fatty oils, they could be marketed as organic products. The marketing of 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, making it more difficult for small producing countries to enter the 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. Other important countries for organic products are the United Kingdom, France and Italy. For more background information on organic, please refer to the CBI Market Survey Organic Food Ingredients.

Natural ingredients collected from the wild are also increasingly organically certified. At the moment the total value of organic wild production is estimated between € 530 and € 630 million at FOB prices worldwide, of which 19% is destined for body care and cosmetics. The EU accounts for 43% of this market. Of this amount 22% is medicinal and aromatic plants (provisional data from ITC, 2006).

Another 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 take place. It is expected that meanwhile more initiatives in this field have taken place.

Next to organic and FSC, social certification for natural cosmetics is increasingly popular. Demand for Fair Trade products has increased significantly in Europe. The well known certification body is FLO – Fairtrade Labelling Organisations International (<http://www.fairtrade.net>). They produce Fair Trade standards for a range of products, including some ingredients which could be used in cosmetics.

Opportunities and threats for developing countries

As information on opportunities and threats for developing countries relates to consumption, production and trade, as well as on legislative and non-legislative requirements, a full discussion of these will follow in Section 6.3.

Firstly, please note that in this product group there can be opportunities both for new and established natural ingredients. Developing country producers must compete on quality, price and reliability for the latter. For the former, developing country producers should focus on innovating companies in Europe. European companies will require technical data on safety, functionality and use, as well as (sustainable) supply chain data.

There also exist opportunities for organic and fair trade. The following is of particular interest for the different product groups.

Vegetable & animal oils, fats and waxes

Of interest are shea butter, illipe butter, coconut oil, cocoa butter, castor oil and sweet almond oil. However, for the latter four products, exporters should note a number of significant restrictions.

Essential oils

The proposed EU legislation on REACH will impact on EU imports of essential oils, thereby further complicating new oil introductions. Therefore, and because many substitutes already exist, new essential oils are very difficult to establish.

Vegetable saps and extracts and raw plant material

Besides being used by the botanical medicine industry, plant extracts are also increasingly used in cosmetic products. It is increasingly important that this natural ingredient has some functional benefit.

Colouring matter

Regarding colouring matter, it is important to note that new colours are very difficult to introduce, due to high costs of providing safety data. There is an EU positive list for cosmetics,

which states the colorants that can be used in cosmetic products. Natural colours that are used to a considerable amount in the EU are indigo, cochineal, carmine, curcuma/turmeric, marigold and henna.

4.3 Useful sources

Interesting trade press providing market information are the following:

- **Parfums Cosmétiques Actualités:** <http://www.parfums-cosmetiques.presse.fr> (France)
- **COSSMA:** <http://www.cossma.com> (Germany)
- **EUROCOSMETICS:** <http://www.eurocosmetics-magazine.com> (Germany)
- **GCI Global Cosmetic Industry:** <http://www.gcimagazine.com/> (Germany)
- **SÖFW Journal:** <http://www.sofw.com> (Germany)
- **World Directory Cosmetics Industry:** <http://www.teknoscienze.com> (Italy)
- **International Journal Of Cosmetic Science:** <http://www.blackwell-science.com> (UK)
- **Soap, Perfumery & Cosmetics:** <http://www.spc-magazine.com> (UK)

Other international trade press of interest are;

- **C&T - Cosmetic & Toiletries:** <http://www.cosmeticsandtoiletries.com>
- **Journal of Essential Oil Research:** <http://www.allured.com>
- **Happi Magazine** <http://www.happi.com>

Interesting on-line data bases providing useful information on developments in the cosmetics and the cosmetics ingredients markets are

- **Cosmetic News:** <http://www.cosmeticnews.com>
- **Soapwire:** <http://soapmaking.typepad.com/>
- **Cosmetics Design Europe:** <http://www.cosmeticsdesign.com>
- **Beauty online:** <http://www.beauty-on-line.com>

Also interest are further market research organizations, which provide reports on a large number of industries. Examples are:

- **Mintel:** <http://www.mintel.com/>
- **Euromonitor:** <http://www.euromonitor.com>
- **Datamonitor** <http://www.datamonitor.com>
- **AcNielsen:** <http://www2.acnielsen.com/site/index.shtml>

Organizations offering information sources or which can be contacted to obtain information are:

- **USDA-FAS:** <http://www.fas.usda.gov/> (Gain reports)
- **CTFA - The Cosmetic, Toiletry, and Fragrance Association:** <http://www.ctfa.org>
- **FOSFA - Federation of Oils, Seeds & Fats Associations:** <http://www.fosfa.org>
- **IFEAT - International Federation of Essential Oils and Aroma Trades:** <http://www.ifeat.org>
- **Colipa - The European Cosmetic Toiletry and Perfumery Association:** Has annual reports on the cosmetics industry in Europe <http://www.colipa.com>
- **IKW - German Cosmetic, Toiletry, Perfumery and Detergent Association:** The same for the German market <http://www.ikw.org>
- **BDIH - Bundesverband Deutscher Industrie und Handelsunternehmen für Arzneimittel, Reformwaren und Körperpflegemittel:** <http://www.bdi.de>
- **Aromatherapy Trade Council:** <http://www.a-t-c.org.uk>
- **ITC – The International Trade Centre:** with its document "Overview of World Production and Marketing of Organic Wild Products" (<http://www.intracen.org>).
- **The European Union:** offers information through its Enterprise and Industry portal at http://ec.europa.eu/enterprise/cosmetics/index_en.htm
- **Forum Essenzia :** is a specific forum on essential oils and their application in aromatherapy, which also offers an English sub-site <http://www.forum-essenzia.de>

5 PRODUCTION

5.1 Size of 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, then are further processed and re-exported to buyers in Europe. For example, Germany is listed as a leading EU producer of coconut oil, however, this production concerns processing of raw materials.

Production data on vegetable oils and essential oils is derived from FAO. However, no new data will become available until later this year, when information on 2004 will be added. Therefore, for additional information, please refer to <http://faostat.fao.org/> in the fourth quarter of this year.

Vegetable oils, fats and waxes

EU production of vegetable oils and fats decreased somewhat between 2001 and 2003, amounting to 12.3 million tonnes in the latter year (FAO, 2004). The EU accounted for 9% of global production. The leading EU producer was Germany, accounting for 23% of EU production, followed by Spain (20%), France (10%), The Netherlands (9%), Italy (9%) and UK (6%).

Between 2001 and 2003, EU production of coconut oil decreased by 35%, amounting to 33 thousand tonnes, which represented 1% of global production. The leading EU producer of coconut oil used to be Germany, but was replaced by Belgium, accounting for 38% of EU production.

EU production of sesame seed oil decreased between 2001 and 2003 by 18%, amounting to 23 thousand tonnes, which represented 3% of global production. Developing countries represent 91% of global production. The leading EU producer was Germany, followed by Greece.

Between 2000 and 2002, EU production of peanut oil increased by almost 60%, reaching 75 thousand tonnes in the latter year (FAO, 2005). The leading EU producer was The Netherlands, accounting for 83% of EU production. In a global perspective, EU production is very limited, the major producers being China, India and Nigeria, each producing several times more than the EU.

Essential oils and oleoresins

According to FAO, world production of essential oils is estimated at 28.2 million tonnes. Developing countries command a dominant position in the global production, of which they account for 85%. Industrialised countries remain in a dominant position where high yields and full mechanisation make cultivation competitive with countries, which rely on low labour costs.

Table 5.1 Production of essential oils, 2001-2003
1,000 tonnes

	2001	2002	2003
World	28,277	28,209	28,181
Developing countries	23,867	23,937	23,953
European Union	270	301	278

Source: FAO (2004)

Essential oil production is particularly successful in the Mediterranean countries of Greece, France and Italy, although production also takes place on a smaller scale in other EU member countries. Lavender and peppermint are among the most popular.

On a global scale, the 18 most important species represent nearly 75% 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, and vetiver).

Vegetable saps and 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, and Cosmetochem in Switzerland. The first three focus more on natural ingredients for pharmaceutical or food products, while Gehrlicher also produces cosmetic products. Other leading producers are Indena and Hammer Pharma in Italy. Both use natural ingredients for cosmetics, food as well as pharmaceutical products. Other producers are spread across western Europe with several interesting companies mentioned in most country surveys. Poland and, to a lesser extent, the Czech Republic and other accession countries are growing in importance in the field of plant extract production; these countries also function as a subcontracting location for German and other European companies.

Raw plant material

Medicinal and aromatic plants (MAP)

Medicinal and aromatic plant material is obtained both from plants growing in the wild and from cultivation. World-wide about 70% of the species used is collected in the wild. Between 20,000 and 30,000 tonnes of wild-plant material are collected annually in Europe (Lange, 1998).

Europe's place in world trade and production in medicinal and aromatic plant material is of global importance. Germany, Bulgaria and Albania are listed among the 12 leading countries of export. Balkan countries play an especially important role. The varied climate and geography enables a vast array of temperate and Mediterranean plants to be grown, such as Sage, Chamomile, Peppermint, Linden flowers, Gentian root and Mallow root (SEED, 2005). Producers in developing countries will encounter competition on these ingredients on the EU market. Many companies in Eastern Europe have a competitive advantage over their competitors in developing countries, because of their location near to the other EU countries and the common body of EU law. Moreover, they still have access to relatively low-cost labour. However, in former Eastern Bloc countries, the trade has changed in recent years from strictly organised, state-controlled systems based mostly on country-wide networks, to free and diversified markets with an increasing number of competing private companies. This has had significant negative effects on the sustainability and conservation of MAPs because previous quotas and controls are now largely ignored. Only Bulgaria still has a relatively well-controlled MAP trade (Ienica, 2005).

Wild collection 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 manageable and profitable for the majority of plants traded. In Europe, at least 2,000 medicinal and aromatic plants are used on a commercial basis, of which two-thirds, 1,200-1,300 species, are native to Europe (FAO, 2002). According to the WWF, up to 90% of medicinal and aromatic plants traded in Europe is still collected from the wild. Wild-collection remains particularly prominent in Albania, the Czech Republic, Poland, Turkey, Hungary and Spain. Although the number cultivated commercially is limited, many more MAP species are cultivated on a small-scale in home gardens (FAO, 2002).

In 2004, the European Herb Growers Association (EHGA Europam) collected data on the production of 150 cultivated herbs in the EU for their Inventory "Production of Aromatic and Medicinal Plants in the existing and incoming member states of the European Union". EHGA – Europam represents a total number of at least 21,000 growers/collectors, covering a total area of at least 100,000 hectares of which at least 4,700 hectares are organically cultivated. Table 5.2 shows the distribution of the total area across Europe. As data from two different years is

used no total has been included. France and Austria are EU countries, which have many hectares under cultivation. There is considerable cultivation in Germany, Finland, and the United Kingdom.

Table 5.2 Total herbal crops cultivated in selected European countries, in hectares

	Total area	Organic area	Growers		Total area	Organic area	Growers
Austria	24,388	1,094	8,515	Ireland*	7	0	n.a.
Belgium*	249	30	4	Italy	1,713	783	6,212
Bulgaria*	9,543	0	n.a.	The Netherlands	2,884	116	1,130
Denmark*	164	83	101	Portugal*	38	0	5
Finland	10,569	0	n.a.	Romania*	9,968	0	n.a.
France	35,559	0	n.a.	Slovakia	623	70	68
Germany	10,351	925	904	Spain*	716	0	0
Greece	3,382	1,720	3,989	Sweden*	26	26	19
Hungary	1,325	0	n.a.	United Kingdom	9,679	4	175

Source: EHGA Europam (2005/2003)

* As no new data is available for 2005, data from 2003 is used.

When only plants with cosmetics use (63 species) are included, the total area is 55,682 hectares, covering 10,721 growers and 2,038 organic hectares. Please note that it is unknown what percentage of this production is used for cosmetics purposes, as the majority of these plants is also used in either or both the food and pharmaceutical industry. Since not all countries and producers are included and national data is incomplete the actual area should be considerably higher.

Moreover, wild collection areas are not included. However, according to ITC, 26,000 hectares of wild-collection areas are organically certified in Europe, with a production of 32,600 tonnes. However, this includes other species, such as nuts and fruits and mushrooms. Worldwide 9% of this production quantity is constituted by medicinal and aromatic plants, while this product category covers 36% of the production area. If these numbers are used for Europe, it would mean that around 9,360 hectares in Europe are certified, with a production of 2,930 tonnes (ITC, 2006²).

The top 10 cosmetics crops (out of 63) cover 91% of the total cosmetics area. These and the other major species are shown in table 5.3. Leading species are: lavender (*Lavandula spp.*), squash (*Cucurbita pepo*), Flaxseed (*Linum usitatissimum*) and Boraga (*Borago officinalis*). Major countries are France, Germany and Spain. However, due to data shortages, Spanish production is not documented by EHGA. The area under cultivation, however, is not increasing very much in Europe since cultivation in East European countries is still much cheaper. The large share of France in total European production is due to the very large production of lavender.

Table 5.3 Top herbal crops with cosmetics use cultivated in Europe, in hectares

Scientific name	Common name	total area	growers	Organic area	Scientific name	Common name	total area	growers	Organic area
Total cosmetics used herbs		52,620	9,505	1,544	Salvia officinalis	Sage	289	156	58
Lavendula spp,	Lavender	21,410	86	108	Mentha spp	Mint	271	32	20
Cucurbita pepo	Squash	15,100	5,000	300	Allium sativum	Garlic	263	295	5
Linum usitatissimum	Flaxseed	4,544	1,584	636	Chamaemelum nobile	English (Roman)	241	5	1

² See ITC's "Overview of World Production and Marketing of Organic Wild Products"

Scientific name	Common name	total area	growers	Organic area	Scientific name	Common name	total area	growers	Organic area
Borago officinalis	Borage	2,719	31	2	Melissa officinalis	Chamomile			
Chamomilla recutita	German chamomile	1,809	110	258	Hippophae rhamnoides	Lemon balm	234	134	74
Coriandrum sativum	Coriander	1,324	26	55	Hypericum perforatum	Sea Buckthorn	206	50	20
Salvia sclarea	Clary sage	1,045	20	7	Oenothera biennis	St Johns Wort	197	68	27
Mentha piperita	Peppermint	967	153	40	Sambucus nigra	Evening primrose	192	5	7
Ocimum basilicum	Basil	834	1,505	20	Rosmarinus officinalis	Common elder	172	42	31
Citrus bergamia	Bergamot	560	750	40	Levisticum officinalis	Rosemary	158	99	17
Origanum marjorana	Marjoram	558	25	20	Cynara scolymus	Lovage	116	43	18
Cannabis sativa	Hemp	450	203	49	Anisum vulgare	Globe artichoke	92	6	5
Ribes nigrum	Blackcurrant	446	12	9	Angelica archangelica	Aniseed	83	15	69
Ginkgo biloba	Maidenhair tree	430	0	0	Glycyrrhiza glabra	Angelica	75	4	0
Mentha spicata	Spearmint	424	0	0	Rosa sp	Liquorice	75	9	71
						Rose fruits	58	10	0

Source: EHGA Europam (2005)

Please note that this table only includes data from 2005 (in which information was not provided for several of the countries of table 5.2 where information from 2003 has been included). Moreover, as table 5.2 concerns all herbal crops and 5.3 only those with cosmetic uses, these tables cannot be compared.

Seaweed & other algae

The main European countries producing seaweed are France, Norway and to a lesser extent Spain and Scotland. 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. Outside Europe, the Philippines is an important supplier of seaweed and seaweed products.

Natural colours

The number of approved colorants and dyestuffs for cosmetics which could be defined as natural is small and only a few are commercially important, such as cochineal and carbon. 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.

5.2 Trends in production

Cultivation and wild-harvesting

There are two distinct trends in European medicinal and aromatic plant production. Large-scale cultivation of relatively low value products such as Evening Primrose, Thyme and Milk Thistle is generally on the decline and is being replaced by imports. Production of more specialist plants is, however, increasing, especially using organic or bio-dynamic cultivation techniques (Commonwealth, 2000). According to Laird and Pierce (2002), there is a worldwide tendency towards a greater proportion of cultivated material. This helps maintain stocks and helps ensure sustainability, where cultivation is a commercially viable option. The majority of companies, the mass-market, over-the-counter pharmaceutical companies as well as the larger herb companies, prefer cultivated material (Laird and Pierce, 2002). However most plants for these purposes are not available from cultivation and so wild collection is a reality in

those circumstances. It is essential to work towards developing sustainable sources for any wild collected sources. Wild-collection is suitable for fair-trade labelling as it can contribute to income supporting activities by low-income rural households.

There are geographical differences in this tendency; wild collected products enjoy continued popularity with US buyers above cultivated natural products, while in Europe the reverse seems the case. In general, the larger industries tend to absorb as much wild harvested material as possible from the open market and will only switch attention to cultivated material when a species becomes scarce, often after serious damage has been done to wild populations. Smaller companies in Europe which consume limited quantities of raw material often prefer wild-harvested species, both for active make-up and because they find it difficult to have direct sourcing relationships outside their geographic area (Freese, 1998; Laird and Pierce, 2002b).

Wild collection standards

Stemming from concerns on over-harvesting of medicinal and aromatic plants, land conversion and habitat loss, which threaten around 4,000 species worldwide, standards are being developed. For these reasons, there is an urgent need for approaches to wild MAP collection that balance the needs of local, regional, and international markets with the need for conservation and sustainable use. It is essential to work towards developing sustainable sources for any wild collected source.

In recent years, a number of initiatives has been launched to achieve a better framework for the sustainable use of biological diversity, such as the International Standard for Sustainable Wild Collection of Medicinal and Aromatic Plants (ISSC-MAP) initiated by the German Federal Agency for Nature Conservation (BfN), IUCN and WWF/TRAFFIC. This standard plays an intermediate role between relevant general guidelines for sustainable use, particularly at the policy level, and specific management and monitoring strategies that involve local collectors and producers. A draft version of ISSC-MAP and more information can be obtained from <http://www.floraweb.de/proxy/floraweb/map-pro/>. Also of interest is also the position paper of ITC on this subject, which can be found at <http://www.intracen.org/organics/position-paper.pdf>.

Moreover, wild-collection is suitable for Fair Trade labelling as it can contribute to income supporting activities by low income rural households. This is in contrast to cultivation where these groups hardly reap any benefits. Sometimes the Fair Trade labelling is combined with organic certification. Organic certification is gaining in importance for all the product groups. Moreover, organic certification can offer good opportunities to small producers in developing countries, due to the smaller quantities traded.

Traceability

Due to the increased importance of traceability within value chains of natural cosmetics ingredients, GACP (Good Agricultural and Collection Practice) and its standard operating procedures (SOP), and other standards are of increased importance within European production. Please find these at <http://whqlibdoc.who.int/publications/2003/9241546271.pdf>.

REACH

The proposed EU legislation on REACH (<http://ecb.jrc.it/REACH/>) will impact on EU imports of natural ingredients, and especially essential oils as European producers are faced with more stringent requirements on documentation and safety, thereby reducing the opportunities especially for new essential oils on the EU market, without adequate technical data. This poses difficulties for smaller producers. Next to this, conformation to the cosmetic directive (http://ec.europa.eu/enterprise/cosmetics/index_en.htm) is also needed.

Opportunities for developing countries

It is important to differentiate between new and established ingredients. In summary, the focus for established ingredients should be on attracting customers through better pricing and

quality (due to high competition). For new ingredients, developing country producers should target innovation in the industry, but they will need technical data to support safety requirements.

Also dealt with more extensively in the next Chapter, several products could provide potential. Since these products cannot, or only with difficulty, be produced in the EU, but need a tropical environment for cultivation, they provide good opportunities for producers in developing countries. However, the first three should be considered very carefully as, although these products used to be very promising, they now offer more limited possibilities.

- Coconut oil and cocoa butter (Coconut oil is in small demand in the form of the pure oil. It is more commonly used in fractionated form. Cocoa butter is also a by-product of the European food industry)
- Castor oil (Castor oil is well established and generally only pharma grades are used in cosmetics, due to concerns over allergic reactions)
- Sweet almond oil (developing countries will have to compete with large American producers, limiting their possibilities on the EU market).
- Shea butter
- Illipe butter
- Amazon oils and butter
- Algae and seaweed

5.3 Useful sources

Information on EU production can be found at <http://www.faostat.org>. New information on production of processed products, such as vegetable oils, will not be updated until the end of this year. EHGA Europam (<http://www.europam.net/>) offers information on the cultivation, also limited information on the collection of medicinal and aromatic plants in Europe. The Public Ledger (see section 9.2) also provides information on events and trends influencing the production of vegetable oils and essential oils. Information offered through the Biotrade Initiative (<http://www.biotrade.org/>) is also of interest. The World Health Organisation (<http://www.who.org>) also offers information. Furthermore, many of the sources as mentioned in section 4.3 also offer information on production.

6 IMPORTS

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 can no longer 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 to country, but it is typically about € 100,000. Consequently, although figures for trade between the EU and the rest of the world are accurately represented, trade within the EU is generally underestimated.

6.1 Total EU imports

In view of the trade data presented below, the information included in Section 4.1, 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. As to the new EU countries, Poland is a growing market for natural ingredients where some interesting trade fairs take place.

Table 6.1 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."*

Table 6.1 Imports by the EU25 of selected product groups falling under natural ingredients for cosmetics in 2004, € million, average annual change 2000-2004 in %

	Vegetable oils		Saps and extracts		Essential oils		Raw plant material		Colouring matter	
	2004 € mln	Av. annual change %	2004 € mln	Av. annual change %	2004 € mln	Av. annual change %	2004 € mln	Av. annual change %	2004 € mln	Av. annual change %
Total EU25	3,186	2.9%	1,067	0.6%	626	1.1%	422	-0.4%	190	0.5%
Intra-EU	1,807	4.9%	615	2.5%	231	0.1%	144	1.2%	117	0.5%
Extra-EU	1,379	0.6%	452	-1.6%	395	1.7%	278	-1.2%	73	0.4%
DC	1,284	2.0%	279	-1.9%	236	1.9%	167	-0.3%	44	-0.9%
Austria	58	2.3%	26	6.7%	17	6.1%	9	6.2%	4	4.2%
Belgium	372	0.0%	67	6.4%	21	7.8%	27	4.5%	11	14.0%
Cyprus	2	4.7%	1	4.1%	0	-13.6%	0	2.3%	0	-9.7%
Czech Rep.	27	8.8%	15	7.6%	4	-4.2%	9	23.2%	3	1.9%
Denmark	86	10.5%	69	2.1%	6	-4.4%	17	-14.8%	17	3.7%
Estonia	3	15.4%	2	38.7%	0	-6.0%	0	20.2%	1	65.4%
Finland	23	3.5%	13	1.5%	1	-0.3%	2	6.5%	2	4.5%
France	437	1.5%	162	-1.7%	159	-0.2%	63	-3.1%	25	6.2%
Germany	718	0.9%	236	0.4%	97	2.4%	98	-0.8%	36	2.1%
Greece	43	5.0%	6	0.7%	1	0.8%	3	2.2%	2	0.5%
Hungary	20	-7.9%	7	-1.1%	3	9.7%	3	2.9%	1	-16.7%

	Vegetable oils		Saps and extracts		Essential oils		Raw plant material		Colouring matter	
	2004 € mln	Av. annual change %	2004 € mln	Av. annual change %	2004 € mln	Av. annual change %	2004 € mln	Av. annual change %	2004 € mln	Av. annual change %
Ireland	47	-2.3%	17	4.3%	45	8.8%	8	-13.1%	3	-28.5%
Italy	210	-4.9%	106	-0.1%	25	-9.8%	41	-4.9%	16	1.3%
Latvia	6	24.3%	1	9.5%	0	33.3%	2	44.2%	0	4.5%
Lithuania	8	11.8%	3	22.1%	0	9.6%	1	26.2%	1	19.4%
Luxembourg	5	6.4%	1	11.7%	0	-10.8%	1	-9.8%	0	70.8%
Malta	1	1.3%	1	5.3%	0	-3.8%	0	-15.2%	0	-19.3%
Poland	147	11.2%	39	8.9%	4	7.4%	11	14.3%	8	-1.6%
Portugal	10	0.1%	10	-8.1%	1	-11.2%	5	6.2%	2	-7.4%
Slovakia	13	14.5%	5	-17.5%	2	23.3%	3	1.8%	1	2.4%
Slovenia	4	0.9%	6	5.4%	1	0.5%	2	4.9%	1	7.1%
Spain	81	-4.4%	68	1.9%	43	2.5%	34	-4.4%	21	-5.6%
Sweden	55	2.4%	22	10.6%	3	-5.8%	5	2.0%	2	-0.4%
The Netherlands	490	10.6%	75	2.6%	60	4.6%	28	36.9%	14	9.6%
United Kingdom	320	8.2%	109	-4.9%	131	-0.7%	50	0.5%	19	-3.4%

Source: Eurostat (2005)

6.2 EU imports per product group

The following section describes EU imports and developments, over the last three years, of products that are interesting for developing countries, falling under the broad-based product groups indicated in Chapter 3. Table 6.2 gives a detailed description of the different product groups regarding development in imports and the countries supplying the EU.

Table 6.2 Imports of natural ingredients for cosmetics by the EU25, 2000-2004, € million; shares in % of total value

Product	2000 € mln	2004 € mln		Leading Suppliers in 2004 (share in %)	Share in EU imports (%)
Vegetable oils, fats & waxes	2,840	3,186	Intra-EU:	The Netherlands (24.4%), Germany (9.6%), France (6.5%), Belgium (4.9%), United Kingdom (2.4%)	56.7%
			Extra EU excl DC*:	USA (1.5%)	3.0%
			DC*:	Indonesia (11.2%), Philippines (6.5%), India, Côte d'Ivoire (4.6%), Malaysia (2.6%), Brazil (1.4%), Papua New Guinea (1.2%)	40.3%
Vegetable saps & extracts	1,041	1,067	Intra-EU:	France (12.2%), Germany (10.9%), Denmark (8.0%), Italy (6.7%), Spain (6.1%)	57.6%
			Extra EU excl DC*:	USA (7.8%), Switzerland (4.0%), Norway (1.5%)	16.2%
			DC*:	India (5.1%), Sudan (4.2%), China (3.4%), Philippines (2.8%), Morocco (1.6%), Indonesia (1.1%)	26.2%
Essential oils & oleoresins	600	626	Intra-EU:	France (10.4%), United Kingdom (4.8%), Germany (4.7%), Italy (4.1%), Ireland (3.7%)	36.9%
			Extra EU excl DC*:	USA (19.6%), Switzerland (1.1%)	25.4%

Product	2000 € mln	2004 € mln		Leading Suppliers in 2004 (share in %)	Share in EU imports (%)
			DC*:	India (5.7%), China (5.4%), Brazil (4.6%), Argentina (4.0%), Indonesia (3.3%), Morocco (2.0%), Turkey (1.5%), Egypt (1.4%), Mexico (1.3%), South Africa (1.2%)	37.7%
Raw plant material	430	422	Intra-EU:	Germany (8.4%), France (7.5%), Belgium (3.9%), Poland (3.6%), Spain 2.2(%)	34.1%
			Extra EU excl DC*:	USA (8.1%), Israel (4.3%), Bulgaria (2.4%), Canada (1.8%), Australia (1.2%)	26.4%
			DC*:	China (7.1%), Morocco (3.3%), Chile (3.0%), India (2.9%), Egypt (2.7%), Turkey (1.9%), Philippines (1.9%), South Africa (1.9%), Kenya (1.5%), Albania (1.2%)	39.5%
Colouring matter	186	190	Intra-EU:	Spain (11.4%), Germany (9.9%), France (8.7%), The Netherlands (8.3%), Denmark (7.9%)	61.7%
			Extra EU excl DC*:	USA (7.5%), Israel (2.9%), Japan (1.8%), Switzerland (1.1%), Australia (0.9%)	15.1%
			DC*:	Peru (7.1%), China (6.0%), India (3.9%), Mexico (1.6%), Zimbabwe (0.9%), South Africa (0.9%)	23.2%

Source: Eurostat (2006)

* Developing countries

Vegetable (and animal) derived oils, fats and waxes

Table 6.3 EU imports of vegetable (and animal) derived oils, fats and waxes, by product group, 2000-2004, € thousand/tonnes

	2000		2002		2004		Av. annual change %
	value	volume	value	volume	value	volume	
Total EU25	2,840,049	3,207,899	2,928,038	3,474,808	3,186,268	3,461,556	2.8%
Intra-EU	1,491,767	1,467,745	1,635,522	1,583,017	1,806,841	1,685,628	4.7%
Extra-EU	1,348,281	1,740,154	1,292,516	1,891,791	1,379,427	1,775,928	0.5%
Dev. countries	1,185,770	1,544,447	1,144,233	1,786,314	1,284,930	1,713,857	1.9%
peanut oil	151,256	177,919	142,511	182,811	141,487	140,967	-1.7%
coconut & palm oil	796,524	1,322,886	709,672	1,609,721	848,437	1,606,192	1.6%
fixed veg. fats & oils	546,881	619,250	474,668	575,698	524,465	586,579	-1.0%
animal and veg. oils & fats	539,610	782,024	595,489	758,315	618,607	755,965	3.5%
waxes	45,704	13,228	40,983	12,980	37,706	17,085	-4.7%
cocoa butter, fat & oil	760,073	292,591	964,715	335,283	1,015,566	354,768	7.5%

Source: Eurostat (2006)

Total imports of vegetable and animal-derived oils, fats and waxes by EU member countries amounted to € 3.2 billion in 2004, representing an average annual increase of 2.9% since 2000. In terms of volume, imports increased less significantly, reaching 3.5 million tonnes in 2004. Sub-groups contributing to the increase of imports were coconut oil, animal and vegetable fats and oils, cocoa butter, fat and oil. Imports of peanut oil, fixed vegetable fats and oils and waxes decreased.

Countries outside the EU, mostly represented by developing countries, supplied 40% of the total imported value of vegetable and animal derived oil, fats & waxes.

Table 6.4 Leading EU importers and suppliers of selected vegetable oils, fats & waxes (share in EU imports, value 2004)

Peanut oil	EU importers	France (33%), Italy (24%), Belgium (19%), The Netherlands (8%), Germany (7%)
	Suppliers	India (31%), Senegal (15%), Belgium (13%), Argentina (11%), The Netherlands (9%)
Coconut oil	EU importers	Germany (36%), The Netherlands (24%), Belgium (8%), UK (6%), Italy (6%)
	Suppliers	Indonesia (37%), Philippines (24%), The Netherlands (15%), Malaysia (7%), Papua New Guinea (5%)
Fixed vegetable fats and oils	EU importers	France (17%), Germany (17%), The Netherlands (16%), Italy (11%), Belgium (11%)
	Suppliers	India (18%), Belgium (13%), Germany (11%), The Netherlands (10%), Italy (10%)
Animal or vegetable fats & oil	EU importers	France (13%), UK (13%), Germany (13%), Poland (12%), Belgium (9%)
	Suppliers	Germany (30%), The Netherlands (24%), Belgium (9%), Denmark (6%), Sweden (6%)
Waxes	EU importers	Germany (30%), France (16%), The Netherlands (11%), UK (11%), Italy (8%)
	Suppliers	China (24%), Brazil (21%), Germany (13%), The Netherlands (7%), France (6%)
Cocoa butter, fat & oil	EU importers	Germany (22%), France (16%), Belgium (16%), The Netherlands (14%), UK (13%)
	Suppliers	The Netherlands (42%), Côte d'Ivoire (14%), France (13%), Indonesia (4%), Malaysia (4%)

Source: Eurostat (2006)

Essential oils & oleoresins

Total imports of essential oils & oleoresins by EU member countries decreased by 9% in terms of value between 2002 and 2004. In terms of volume, total imports of this product group remained stable, indicating a fall in prices for the overall product group. Imports into Ireland showed a remarkable increase of 45% in terms of value between 2002 and 2004.

Table 6.5 Imports by EU member countries of selected essential oils, by product group, 2000-2004, € thousand / tonnes

	2000		2002		2004		Av. annual change %
	value	volume	value	volume	value	volume	
Total	600,305	63,148	684,705	69,840	626,295	70,142	1.1%
Intra-EU	230,352	20,453	249,520	19,361	230,864	21,965	0.1%
Extra-EU	369,952	42,694	435,185	50,478	395,431	48,176	1.7%
Developing countries	218,867	31,189	268,663	35,557	236,319	35,982	1.9%
Other essential oils	246,462	16,972	282,002	17,157	232,181	15,041	-1.5%
Resinoids Oleoresinoids	103,142	19,926	111,888	22,586	125,060	21,549	4.9%
Orange	31,394	14,319	49,749	16,759	51,604	19,505	13.2%
Lemon	39,596	2,602	53,278	3,385	47,548	3,757	4.7%
Peppermint	64,010	2,954	69,611	3,222	45,984	2,806	-7.9%
Other mints	29,902	2,273	31,258	2,544	31,656	3,034	1.4%
Other citrus fruits	23,140	1,556	22,122	1,882	31,119	1,787	7.7%
Lavender	16,551	747	17,032	797	15,527	850	-1.6%
Lime	13,507	732	16,256	914	15,323	1,111	3.2%
Bergamot	12,680	716	11,098	311	12,875	386	0.4%
Geranium	9,290	219	9,449	164	6,614	149	-8.1%
Vetiver	4,665	103	5,210	85	6,315	144	7.9%
Jasmine	5,965	30	5,753	34	4,487	23	-6.9%

Source: Eurostat (2006)

The box below lists the leading EU importers and suppliers of the selected essential oils. Nearly two thirds of the total imported value of essential oil and oleoresins is supplied by countries outside the EU, of which 60% is accounted for by developing countries. 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, which use essential oils to create fragrance formulae that are applied in the production of perfumes. France and the United Kingdom together accounted for more than half of all EU imports in terms of value. Ireland is an emerging markets for essential oils.

Table 6.6 Leading EU importers and suppliers of selected essential oils (share in EU imports, value 2004)

Other essential oils	EU importers	France (34%), Germany (18%), UK (17%), Spain (9%), The Netherlands (6%)
	Suppliers	France (14%), China (10%), USA (8%), Indonesia (8%), Morocco (5%)
Lemon oil	EU importers	UK (56%), France (13%), The Netherlands (9%), Germany (7%), Ireland (6%)
	Suppliers	Argentina (50%), Italy (12%), USA (10%), UK (5%), Mexico (4%)
Citrus fruit	EU importers	The Netherlands (23%), Germany (17%), Ireland (15%), UK (15%), France (12%)
	Suppliers	USA (27%), Italy (16%), The Netherlands (12%), UK (7%), Brazil (5%)
Lime oil	EU importers	UK (44%), The Netherlands (21%), Ireland (15%), Germany (9%), France (4%)
	suppliers	Mexico (33%), USA (20%), Peru (14%), UK (10%), Germany (6%)
Geranium oil	EU importers	France (41%), UK (18%), Germany (16%), Spain (13%), The Netherlands (4%)
	Suppliers	Egypt (34%), China (24%), France (22%), UK (6%), Germany (3%)
Jasmine oil	EU importers	France (72%), UK (16%), Germany (6%), Spain (2%), Ireland (2%)
	Suppliers	Egypt (44%), India (28%), France (15%), United Arab Emirates (3%), Spain (2%)
Vetiver oil	EU importers	France (49%), Spain (20%), Germany (11%), The Netherlands (9%), UK (8%)
	Suppliers	Haiti (56%), USA (12%), Indonesia (9%), France (8%), The Netherlands (4%)
Bergamot	EU importers	France (45%), Ireland (17%), UK (11%), Spain (10%), Germany (8%)
	Suppliers	Italy (59%), UK (10%), France (9%), Portugal (5%), Spain (4%)
Orange	EU importers	The Netherlands (31%), Germany (19%), UK (13%), France (10%), Ireland (10%)
	Suppliers	Brazil (38%), USA (20%), The Netherlands (10%), Germany (8%), UK (5%)
Lavender	EU importers	UK (27%), Germany (27%), The Netherlands (12%), France (10%), Spain (7%)
	Suppliers	France (63%), USA (8%), Bulgaria (5%), Spain (4%), Ukraine (3%)
Peppermint	EU importers	UK (35%), Belgium (15%), Germany (11%), France (11%), Italy (8%)
	Suppliers	USA (68%), India (12%), UK (9%), France (3%), China (3%)
Other mints	EU importers	France (28%), UK (25%), Germany (19%), Belgium (11%), Italy (5%)
	Suppliers	USA (48%), India (22%), China (15%), UK (4%), Germany (4%)
Resinoids	EU importers	France (28%), Ireland (13%), Germany (13%), UK (11%), Spain (7%)
	Suppliers	USA (23%), Ireland (18%), France (10%), India (9%), Germany (9%)

Source: Eurostat (2006)

Vegetable saps and extracts

Between 2000 and 2004, imports of vegetable saps & extracts by EU member countries remained more or less stable, amounting to € 1.1 billion / 291 thousand tonnes in 2004. After a slump in imports into Germany and The Netherlands between 2000 and 2004, imports were up again in the latter year. Germany, with a number of commodity houses in Hamburg active in the trade of these products, was still the leading EU importer. German imports accounted for almost a quarter of the imported value. Imports into France decreased by 6% in 2004.

Table 6.7 Leading EU importers and suppliers of selected vegetable saps and extracts (share in EU imports, value 2004)

Lac; natural gums, resins, gum-resins and balsams	EU importers	France (25%), Germany (15%), UK (14%), Italy (11%), The Netherlands (10%)
	Suppliers	Sudan (26%), France (14%), Germany (8%), India (7%), China (7%)
Other vegetable saps & extracts	EU importers	Germany (24%), France (13%), Italy (10%), UK (10%), Denmark (7%)
	Suppliers	France (12%), Germany (12%), Denmark (9%), USA (9%), Italy (8%)

In 2004, 42% of the imported value was sourced outside the EU, of which 62% in developing countries. However, the main suppliers of vegetable saps and extracts are European countries, such as Germany and France.

Raw plant material

In 2004, total imports by EU member countries of raw plant material amounted to € 422 million / 201 thousand tonnes, which signified a slight annual decrease. In 2004, 87% of this value consisted of medicinal and aromatic plants, while the rest consisted of seaweed and algae.

Table 6.8 Imports by EU member countries of raw plant material, by product group, 2000-2004, € thousand

	2000		2002		2004		Av. annual change %
	value	volume	value	volume	value	volume	
Total	429,748	191,518	408,962	189,517	422,146	200,577	-0.4%
Medicinal & aromatic plants	356,173	129,576	341,813	130,940	358,718	141,334	0.2%
Seaweed & algae	73,278	61,892	66,785	58,525	53,535	44,936	-7.5%

Source: Eurostat (2006)

Table 6.9 Leading EU importers and suppliers of raw plant material (share in EU imports, value 2004)

Medicinal & aromatic plants	EU importers	Germany (26%), France (13%), Italy (11%), UK (11%), Belgium (7%)
	Suppliers	Germany (10%), USA (8%), France (8%), China (7%), Israel (5%)
Seaweed & other algae	EU importers	France (23%), Denmark (19%), UK (18%), Spain (14%), The Netherlands (7%)
	Suppliers	Secr. Extra (18%), Philippines (12%), Chile (8%), USA (7%), Indonesia (6%)

Source: Eurostat (2006)

German-based companies dominate the global herbal medicine supply industry. Consequently, Germany is the leading importer of raw plant material. Imports amounted to 23% of total EU25 imports in 2004. 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. Poland is an important subcontracting country for Germany. France is the leading EU importer of seaweed and algae, followed by Denmark, whereas the supply of this product group is dominated by countries outside the EU.

Colouring matter of vegetable or animal origin

As from 2000, imports of colouring matter of vegetable or animal origin by EU member countries remained stable in value amounting to € 190 million in 2004. The imported volume increased slightly from 24 thousand tonnes in 2000 to more than 26 thousand tonnes in 2004. The 3 leading EU importers were Germany, France and Spain, together accounting for 43% of the total imported value.

Approximately 38% of the total imported value was supplied by countries outside the EU, for 61% represented by developing countries. In recent years, China has become an important supplier of colouring matter to the EU. The USA is also increasing its exports of colouring matter to the EU.

Table 6.10 Leading EU importers and suppliers of colouring matter (share in EU imports, value 2004)

EU importers	Germany (19%), France (13%), Spain (11%), UK (10%), Denmark (9%)
Suppliers	Spain (11%), Germany (10%), France (9%), The Netherlands (8%), Denmark (8%)

Source: Eurostat (2006)

6.3 The role of the developing countries in imports per product group

The EU imports considerable amounts of natural ingredients for cosmetics from developing countries. The product groups imported experienced varied developments in the period 2000-2004. Exports of more than half of the product groups declined. In contrast, the most significant changes were all increases in imports, notably for cocoa butter, fats and oils, essential oils and oleoresins from oranges, lemons, other citrus fruits and vetiver.

Figure 6.1 shows the shares of developing countries in EU imports and the development over the period 2000-2004 of selected cosmetic ingredients. The most eye-catching development is that many of the shares supplied by developing countries decreased, in some cases even significantly, during the period 2000-2004. Only the shares in animal or vegetable fats and oil, peppermint, citrus fruit, cocoa butter, fat & oil, seaweed and algae and waxes increased.

Table 6.11 Imports from developing countries into the EU25 for selected product groups, 2000-2004, € thousand/ tonnes

	2000		2002		2004		Av. annual change
	value	volume	value	volume	value	volume	
Vegetable & animal deriv. oils, fats, wax.	1,185,770	1,544,447	1,144,233	1,786,314	1,284,930	1,713,857	+2.1%
Peanut oil	112,859	141,719	106,021	146,704	97,118	102,430	-3.5%
Coconut oil	660,504	1,128,411	571,041	1,354,192	643,510	1,276,542	-0.6%
Fixed veg. fats and oils	169,449	156,167	122,282	145,216	128,899	149,136	-6.0%
Anim. & veg. fats & oils	23,772	23,666	18,620	23,398	31,290	44,208	+7.9%
Waxes	22,256	7,251	19,744	7,675	19,520	9,378	-3.1%
Cocoa butter, fat & oil	196,930	87,233	306,524	109,128	364,593	132,162	+21.3%
Essential oils &	218,867	31,189	268,663	35,557	236,319	35,982	+2.0%

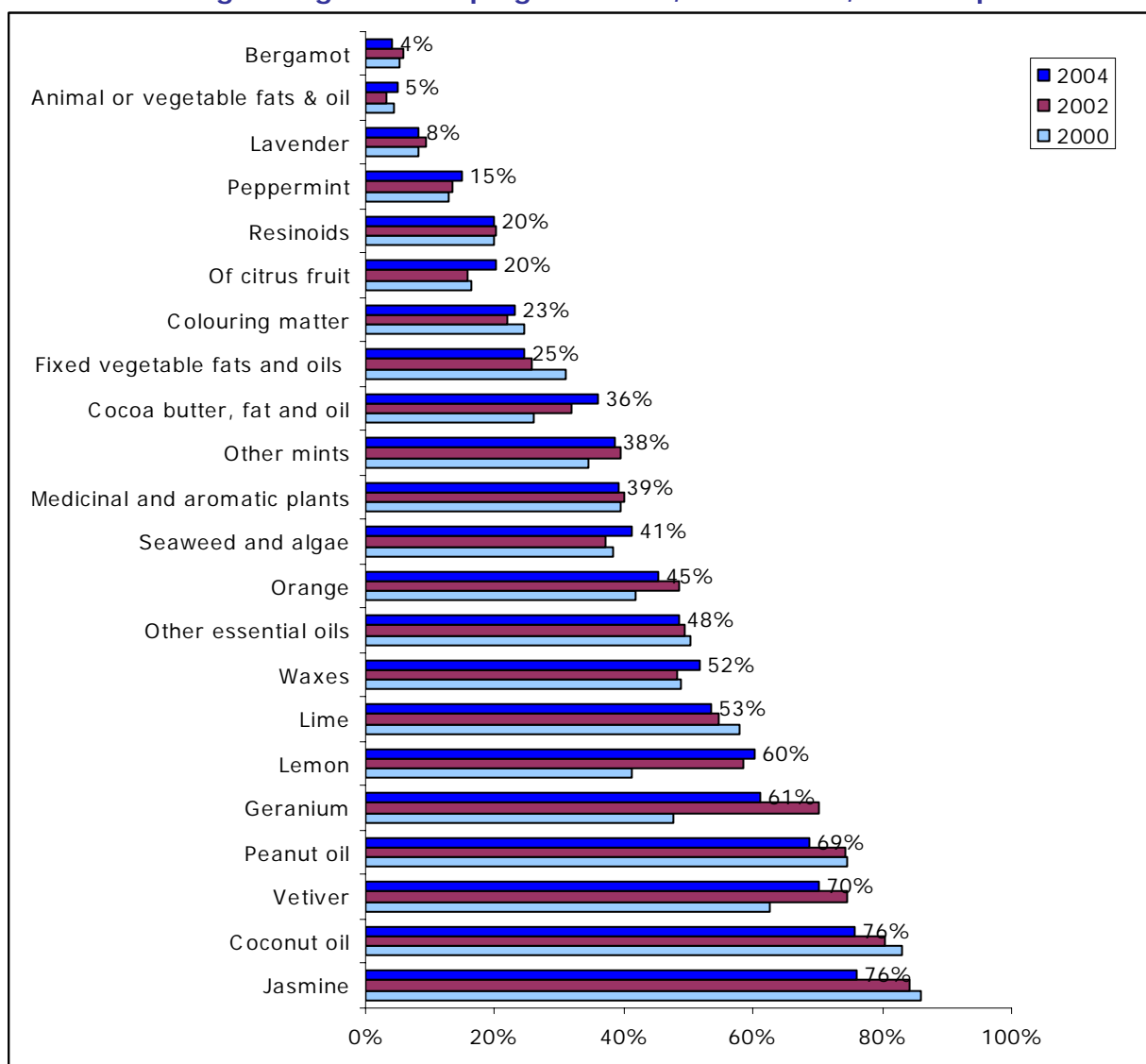
oleoresins							
Bergamot	672	16	656	16	518	40	-5.8%
Orange	13,131	9,813	24,130	11,532	23,376	13,852	+19.5%
Lemon	16,325	1,090	31,150	1,903	28,585	2,018	+18.8%
Lime	7,813	507	8,874	595	8,194	707	+1.2%
Other citrus fruits	3,814	378	3,491	460	6,233	605	+15.9%
Geranium	4,433	81	6,624	111	4,051	97	-2.2%
Jasmine	5,127	7	4,848	7	3,408	7	-8.4%
Lavender	1,332	31	1,582	43	1,275	61	-1.1%
Peppermint	8,165	1,029	9,302	1,182	6,801	1,025	-4.2%
Other mints	10,334	1,246	12,310	1,563	12,181	1,951	+4.5%
Vetiver	2,923	49	3,884	59	4,424	56	+12.8%
Other essential oils	124,198	10,118	139,148	10,706	112,550	9,530	-2.3%
Resinoids & oleoresins	20,599	6,825	22,663	7,380	24,723	6,033	+5.0%
Vegt. saps & extracts	301,693	138,994	262,094	286,837	279,398	161,007	-1.8%
Raw plant material	168,657	96,868	161,416	92,484	166,769	100,672	-0.3%
Med. & arom. plants	140,456	69,137	136,423	65,816	139,991	71,166	-0.1%
Seaweed and algae	28,201	27,731	24,993	26,668	26,778	29,506	-1.3%
Colouring matter	45,775	5,696	42,139	6,123	44,091	7,227	-0.9%

Source: Eurostat (2006)

Regarding the selected natural ingredients, developing countries are particularly strong in the production and processing of vegetable oils such as coconut oil, peanut oil, essential oils such as jasmine oil, vetiver oil, geranium oil, lemon oil and lime oil and waxes. In 2004, developing countries supplied at least 50% of the imports (in value) of these products by EU member countries.

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

Figure 6.1 Share of EU imports of selected natural ingredients for cosmetics originating in developing countries, 2000-2004, % of imported value



Source: Eurostat (2006)

Table 6.12 Imports of selected natural ingredients for cosmetics by EU member states supplied by DCs, 2004, € thousand, % of total value from DCs

Product	DCs	Leading developing country suppliers
Jasmine oil	3,408	Egypt (44%), India (28%), Madagascar (1%), Morocco (1%), South-Africa (1%)
Coconut oil	643,510	Indonesia (37%), Philippines (24%), Malaysia (7%), Papua New Guinea (5%), Vanuatu (1%)
Vetiver oil	4,424	Haiti (56%), Indonesia (9%), India (4%), Brazil (1%), Madagascar (1%)
Peanut oil	97,118	India (31%), Senegal (15%), Argentina (11%), Gambia (5%), Brazil (4%)
Geranium oil	4,051	Egypt (34%), China (24%), South Africa (2%), Madagascar (1%), Morocco (1%)
Lime oil	8,194	Mexico (33%), Peru (14%), Brazil (4%), Argentina (2%)
Lemon oil	28,585	Argentina (50%), Mexico (4%), Brazil (3%), Côte d'Ivoire (1%), South Africa (1%)
Other essential oils	112,550	China (10%), Indonesia (8%), Morocco (5%), India (4%), Turkey (4%)

Product	DCs	Leading developing country suppliers
Waxes	19,520	China (24%), Brazil (21%), Mexico (3%), Central Africa (1%), Côte d'Ivoire (1%)
Seaweed & algae	26,778	Philippines (12%), Chile (8%), Indonesia (6%), China (5%), Morocco (4%)
Colouring matter	44,091	Peru (7%), China (6%), India (4%), Mexico (2%), Zimbabwe (1%)
Oil of other citrus fruit	6,233	Brazil (5%), Cuba (5%), South Africa (3%), Argentina (2%), Mexico (2%)
Fixed vegetable fats and oils	128,899	India (18%), China (1%), Ghana (1%), Brazil (1%), South-Africa (1%)
Animal or vegetable fats and oils	31,290	Malaysia (3%), India (1%), Brazil (1%)
Bergamot	518	Cote d'Ivoire (4%)
Orange	23,376	Brazil (38%), Cuba (2%), South-Africa (1%), Tunisia (1%), Morocco (1%)
Lavender	1,275	China (3%), Georgia (1%), Moldova (1%)
Peppermint	6,801	India (12%), China (3%)
Other mints	12,181	India (22%), China (15%), Morocco (1%), Brazil (1%)
Resinoids	24,723	India (9%), Brazil (2%), Zimbabwe (1%), China 1%), Morocco (1%)

DCs: Developing countries

Source: Eurostat (2006)

Opportunities for developing countries

Vegetable & animal oils, fats and waxes

The main markets for vegetable oils are Germany, France, The Netherlands, Italy, the UK and Belgium. 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, as well as information from trade journals, some products appear to provide opportunities for exporters in developing countries. Firstly, please note that in this product group there can be opportunities both for new and established natural ingredients. Developing country producers of the latter must compete with quality, price and reliability. For the former, developing country producers should focus on innovative companies in Europe. They will require technical data on safety, functionality and use, as well as (sustainable) supply chain data.

There are also opportunities for organic and fair trade. Regarding fair trade, it is unlikely that the supplier can find enough buyers who all want to pay fair trade prices. Therefore he will need a more sophisticated strategy to target a range of buyers.

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 surfactants. However this is an oil traded in bulk. Few opportunities exist unless specialized products are offered. Virgin coconut oil should be offered on the market, not standard coconut oil. It will be impossible for small producers to compete with conventional traditional suppliers.

Cocoa butter

Apart from being an important ingredient in the food industry, cocoa is increasingly used in the cosmetic sector. There may be opportunities for cocoa butter produced in developing countries. However, most of the cocoa butter is made in the EU itself.

Castor oil

Castor oil and its derivatives have major applications in the manufacturing of soaps, lubricants, waxes and polishes, pharmaceuticals, perfumes and other industrial applications. However, unless the product traded is of a pharmaceutical grade, there are no opportunities due to the allergic properties.

Sweet almond oil

This product could be of interest, although the US is a major supplier and competition with US producers will be fierce.

Shea butter

The two main species are *Vitellaria paradoxa* (also known as *Butyrospermum parkii*) and *Vitellaria nilotica*. The latter has a superior quality and is preferred by cosmetic companies. The main reason for growing interest in the use of shea butter in the personal care market lies in the recognition by the cosmetic industry and its consumers of the presence of a significant fraction of unsaponifiables (3-12%) including a number of chemicals credited with a range of therapeutic benefits, such as UV protection, moisturizing, regenerative, anti-eczema, and anti-wrinkle properties.

Please refer to <http://www.unctad.org/infocomm/francais/karite/Docs/world3.pdf> for more market information on shea butter.

Illipe butter

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.

Passion fruit oil

The "hottest" new vegetable oil of the reporting time is "Passion Fruit" oil for a number of cosmetic applications.

Essential oils

Firstly, please note that in this product group there can be opportunities both for new and established essential oils. Developing country producers of the latter must compete with quality, price and reliability. For the former, developing country producers should focus on innovative companies in Europe. They will require technical data on safety, functionality and use, as well as (sustainable) supply chain data. Therefore, and because many substitutes already exist, new essential oils are very difficult to establish. The proposed EU legislation on REACH will further impact on EU imports of essential oils, reducing the opportunities for new essential oils on the EU market, without adequate technical data. This especially poses difficulties for smaller producers.

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 that 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 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*). Graven et al. (1988) have

worked on the selection of *Artemisia afra* genotypes, which have high yields of selected essential oils.

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 only present in small quantities.

The main EU markets for essential oils are France, the United Kingdom, and Germany. Interesting companies include Alban Muller International and Sensient (<http://www.essentialoils.de/>).

Vegetable saps and extracts and raw plant material

Besides being used by the botanical medicine industry, plant extracts are also increasingly used in cosmetic products. This was clear at PCIE 2005 and In-Cosmetics 2006, where plant-based cosmetic raw materials were increasingly common 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*".

In general, there are numerous raw plant species that are of interest. Sources as mentioned in Chapters 4 and 8 could be of use. As mentioned in Chapter 3 there is an increasing use of new, active ingredients. Also, it is increasingly important for plant material that this natural ingredient has some functional benefit.

Interesting EU companies dealing with raw plant material are Martin Bauer (Germany), Worlée (Germany), Carlo Sessa (Italy), Brenntag (The Netherlands), Laserson (France), Lab Serobiologiques (Cognis, France), Cosmetochem (Switzerland) and Frutarom (Switzerland).

Colouring matter

First, it is important to note that new colours are very difficult to introduce. There is an EU positive list for cosmetics, which states the colorants that can be used in cosmetic products. This list is included in Annex 4 of EU Directive 76/768/EEC. Some interesting EU companies working with natural colorants are Arnold Suhr (The Netherlands), M6A Combine (United Kingdom), Chr. Hansen (Denmark) and C.E. Roeper (Germany).

Established colorants

Natural colours can also be divided into two categories; new and established markets. For established colours the market is difficult to enter, as there are many established supply relationships.

As mentioned above, almost 40% of the total imported value was supplied by countries outside the EU, mostly represented by developing countries. Indigo 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 are some other suppliers in El Salvador, Peru, Colombia and Vietnam. Other natural colours that are used to a considerable amount in the EU are cochineal, carmine, curcuma/turmeric, marigold and henna.

New colorants

Opportunities might exist for natural colours for which there was not yet a natural alternative. However, new colours for cosmetics are impossible to introduce unless "someone" is prepared

to pay a lot of money. Opportunities are constricted due to the very high cost of proving safety of use, as natural colours does not equal safe products.

Please note that many natural colorants begin to fade after a certain period, around half a year. Moreover, certain production processes such as heating have a negative influence on the maintenance of the colour. Therefore, more stable and durable natural colours offer possibilities in the cosmetic market.

6.4 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 - 'external trade' - 'data – full view' - 'external trade - detailed data'.

7 EXPORTS

The EU export data must be interpreted and used with caution. It must be realised, however, that a substantial amount of these products is imported, further processed and re-exported at a higher value. The Netherlands and Belgium, for example, are listed as the leading exporter of oils, fats and waxes derived from vegetables (and animals). Germany, and to a lesser degree France, plays such a role for saps and extracts and raw plant material, and Spain for colouring matter. Vegetable oils, fats & waxes are not only the leading product group imported by EU member countries, but also the leading export product.

Table 7.1 Exports by the EU25 of selected product groups falling under natural ingredients for cosmetics in 2004, € million, average annual change 2000-2004 in %

	Vegetable oils		Saps and extracts		Essential oils		Raw Plant Material		Colouring matter	
	2004 € mln	Av. annual change %	2004 € mln	Av. annual change %	2004 € mln	Av. annual change %	2004 € mln	Av. annual change %	2004 € mln	Av. annual change %
Total EU25	2,328	5.3%	962	-2.2%	459	0.4%	263	1.1%	220	2.4%
Intra-EU	1,761	8.6%	505	-0.4%	223	2.4%	185	3.9%	132	4.9%
Extra-EU	567	-2.6%	457	-3.9%	236	-1.2%	77	-4.4%	88	-0.9%
Austria	10	-0.4%	6	-6.2%	19	13.4%	6	-11.0%	2	14.6%
Belgium	243	3.5%	42	18.7%	5	11.5%	19	9.1%	7	15.9%
Cyprus	0	-14.2%	0	-37.8%	0	-21.4%	0	-5.4%	0	-100%
Czech Republic	4	-7.8%	23	28.2%	0	-23.1%	4	12.5%	0	3.6%
Denmark	56	-9.8%	20	-45.5%	2	-6.6%	1	6.7%	26	15.6%
Estonia	0	-45.3%	2	28.4%	0	288.8%	0	-2.3%	0	-4.9%
Finland	1	-8.3%	2	23.6%	0	19.1%	0	-12.8%	0	30.5%
France	288	4.8%	162	1.6%	171	0.6%	55	-4.4%	30	-2.3%
Germany	354	6.8%	272	4.4%	47	8.1%	70	2.9%	32	9.0%
Greece	6	5.9%	5	-7.7%	2	8.1%	1	-1.6%	0	-30.2%
Hungary	3	46.8%	0	18.0%	3	19.0%	7	10.3%	0	-31.5%
Ireland	2	25.7%	55	-3.7%	3	-16.0%	4	-17.2%	13	-7.5%
Italy	67	-15.0%	103	-0.6%	41	-4.4%	10	-11.0%	14	-8.7%
Latvia	1	113.4%	0	50.8%	0	-31.3%	1	105.9%	0	73.2%
Lithuania	1	91.3%	0	53.9%	0	-18.7%	0	27.3%	1	220.5%
Luxembourg	0	-7.3%	0	-1.1%	0	38.5%	1	16.7%	0	n.a.
Malta	0	n.a.	0	-55.5%	0	-100%	0	n.a.	0	-7.2%
Poland	7	23.5%	5	26.2%	1	24.0%	29	9.3%	1	30.3%
Portugal	2	-2.5%	4	-22.2%	1	12.7%	1	13.9%	0	10.3%
Slovakia	9	32.7%	0	-4.8%	0	-30.4%	0	-20.0%	0	-24.6%
Slovenia	0	-4.3%	2	5.2%	0	-37.8%	1	-4.3%	1	21.9%
Spain	81	-7.1%	118	0.9%	35	-3.7%	20	-0.2%	45	-4.4%
Sweden	90	37.0%	11	40.4%	1	6.9%	5	1.7%	0	-8.5%
The Netherlands	985	9.0%	65	6.2%	39	9.1%	13	14.8%	33	18.2%
United Kingdom	115	5.5%	64	9.1%	87	-3.4%	11	9.0%	15	1.5%

Source: Eurostat (2005)

Vegetable (and animal) derived oils, fats and waxes

Between 2000 and 2004, EU exports of vegetable oils, fats & waxes increased strongly by approximately 5% in value annually, amounting to € 2.3 billion / 2 million tonnes in the latter

year. The growing exports were caused by varying increases of the product groups: animal or vegetable fats and oils (5.2% annually), coconut oil (12.2%), peanut oil (6%), waxes (3%) and cocoa butter (7.4%). The leading exporter was The Netherlands, accounting for 42% of exports (in value) by EU member states, followed by Germany (15%), France (12%) and Belgium (10%). The major destinations were other EU countries: Germany, Belgium, France, the UK, The Netherlands and Poland which together received 58% of the value exported by EU member countries in 2004.

Vegetable saps and extracts

Between 2000 and 2004, exports by EU member countries of vegetable saps and extracts decreased by more than 2% in terms of value annually. However, in terms of volume, imports increased, amounting to € 962 million / 148 thousand tonnes in 2004. The leading EU exporter was Germany, accounting for 28% of exports (in value) by EU member states, followed by France (17%), Spain (12%) and Italy (11%). The major destinations, Germany, France, USA, Italy, Russia, Switzerland and The Netherlands, together received 47% of exports by EU member countries in 2004.

Essential oils and oleoresins

Exports of essential oils and oleoresins by EU member countries stayed stable during the survey period, reaching € 459 million in 2004. In the same year, exports in terms of volume amounted to 38 thousand tonnes. The leading EU exporter was France, accounting for 37% of the exported value, followed by the UK (19%), Germany (10%), Italy (9%), The Netherlands and Spain (both 8%). The major destinations were the USA, Germany, Switzerland, France, the United Kingdom and Japan, together receiving 57% of exports (in value) by EU member states.

Raw plant material

Between 2000 and 2004, EU exports of raw plant material increased by 1.1% annually, amounting to € 263 million in the latter year. In terms of volume, imports increased somewhat faster, amounting to 55 thousand tonnes in 2004. The leading EU exporter was Germany, accounting for 27% of exports by EU member states, closely followed by France (21%), Poland (11%), Spain (8%) and Belgium (7%). The new member states play a relatively important role in the production and trade of raw plant material, especially medicinal and aromatic plants. The major destinations were Germany, France, the UK, Switzerland, Italy and Spain, which together received 52% of exports (in value) by EU member countries in 2004.

Colouring matter of vegetable or animal origin

Exports by EU member countries of colouring matter of vegetable or animal origin increased by 2.4% in value annually and by a slight higher percentage in volume between 2000 and 2004, amounting to € 220 million / 25 thousand tonnes in 2004. The leading EU exporter was Spain, accounting for 21% of exports (in value) by EU member countries, followed by The Netherlands (15%), Germany (14%), France (13%) and Denmark (12%). The major destinations were The Netherlands, Germany, the USA, Japan, the UK and France which together received nearly half of exports by EU member states in 2004.

8 TRADE STRUCTURE

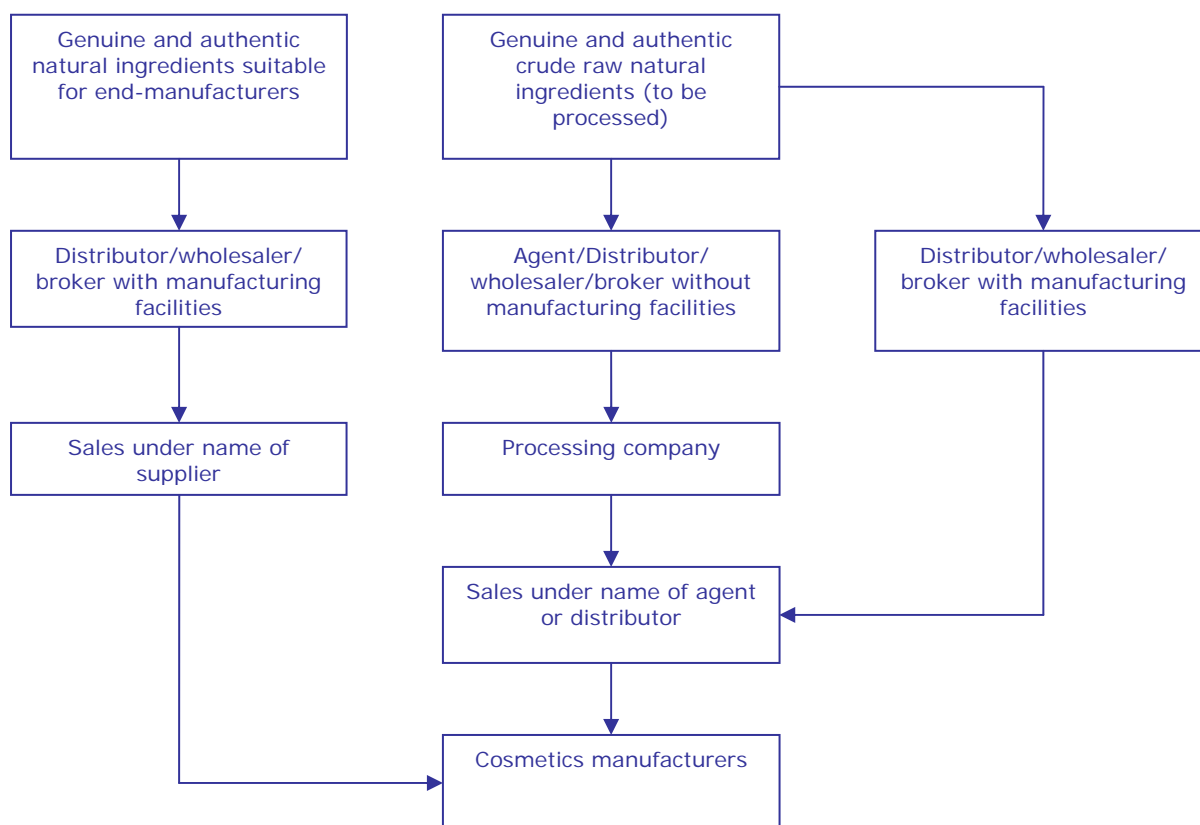
8.1 Distribution channels

The figure below gives a schematic overview of the distribution channels, or the trade structure of natural ingredients for the cosmetics industry in the EU. The figure presents two major channels, one for “ready-to-use” or finished ingredients and one for crude raw materials. Regarding specific product groups, CBI offers product surveys on vegetable oils and essential oils, in which the trade structure for these products is analysed more in depth.

As the product groups covered in this Survey differ in their level of processing, covering the trade structure for these products poses certain difficulties. The products offered by producers of natural ingredients have a different starting position in the trade structure. Raw plant materials are largely unprocessed, whereas the other four product groups are in general already processed.

Figure 8.1 presents the trade structure, starting from the products offered by producers of natural ingredients of cosmetics as covered in this survey. Processing steps taking place within this trade structure concern those performed in the EU. First step processing taking place in these companies is therefore not covered. Although producers of essential oils, natural colorants and vegetable saps and extracts from developing countries supply products that are already processed, in many cases 2nd step processing will take place in the European Union. This is either conducted by wholesalers/traders or by European processing companies. Then products are sold to end-product manufacturers.

Figure 8.1 Distribution lines for export of natural ingredients to the EU



As to raw plant material limited processing also often takes place in the country of origin. Few plant species are cultivated, almost all production is collected in the wild. Raw plant material is cleaned and dried. The majority of raw plant material is traded in dried form. Drying methods must bring moisture content down with plant specie specific drying methods to less than 14%, depending on the plant part harvested, while retaining the chemical composition of the plant. A minority of material is traded fresh internationally, or preserved in alcohol.

Exporters/importers/wholesalers/brokers

Different types of traders can be distinguished. Enterprises based in the producing countries are mainly involved in the sale and export of natural ingredients from local plant species. They usually deal in large quantities of a few commodities, either processed or unprocessed ingredients, which are produced locally, and meet quality requirements for national and regional markets. The documentation requirements according to UN guidelines are not fully implemented on this level. Ingredients are purchased either directly from producers, collectors or from farmers, or after it has passed through a number of traders (e.g. local dealers, village co-operatives, and district traders). Brokers and agents act on behalf of purchasing companies.

Enterprises based in consuming countries are concerned with imports and supply of the domestic markets. They require documentation on GMP and GACP and certification. Lastly, some merchant houses are specialised in international trade of large-volume quantities. In most EU countries, trade is dominated by just a few wholesalers. Germany, the largest market for ingredients, is dominated by 21 wholesalers. They sell commodities to a number of different companies.

Wholesalers/distributors may also process raw plant material or conduct 2nd step processing of essential oils, natural colorants, vegetable saps and extracts, and vegetable oils and fats. For example, ingredients are tested for contamination and formed into bulk ingredients. Further processing in the form of extraction, particularly standardised extracts, is undertaken. Some companies use voucher specimens at this stage, to ensure correct species identification and quality. Due to consolidation in the industry, the production of bulk ingredients from raw plant material is often undertaken by wholesalers/traders.

Processing industry

The processing industry buys raw ingredients and processes them before selling them to the end-product manufacturers. In the case of essential oils, natural colorants, vegetable saps and extracts and vegetable oils and fats from developing countries, second step processing may take place by processing industries or by wholesales/distributors in the EU. Fragrance houses, for example, use essential oils to create fragrance formulae that are used in the production of perfumes.

In the processing industry (please note that this partly takes place in the country of origin) of importance are:

- extractors (extraction, evaporation, juicing, distillation, fermentation, purification, drying, blending, granulation, grinding, milling)
- farms (cultivation, drying, milling, sieving, density adjustment, distillation, extraction, juicing)
- nut and seed oil producers (cold pressing, CO2 super critical extraction, de-fatting, etherification, hydrogenation, refining)
- wholesale distributors with value-added capabilities (blending, milling, sieving, density adjustment, formulation, granulation, particle engineering, contract manufacturing).

Some leading industrial users have their own purchasing department, so that major producers may be tempted to sell directly to industrial users, often at a better price. Nevertheless, since traders and brokers are well informed on the EU market, they fulfil important functions:

- Purchase of natural ingredients throughout the world or from specific geographic areas;

- 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
- analysis and quality control;
- rectification of the ingredients to fit the commercial standards;
- blending;
- sale to users.

End-product manufacturers

End-product manufacturers, like the perfume industry, make the final products as they are found in the consumer market. Some manufacturers (usually smaller companies) use distributors to sell finished products to retail outlets, other sell directly to retailers. The bulk of finished products is sold through retail outlets, either mass market or speciality. However, direct sales also constitute a significant proportion of the market.

Trade channels for new ingredients

The same trade structure as described above applies to exporters in developing countries. The following channels are especially relevant for producers of new ingredients:

- Raw material and bulk ingredient suppliers might promote new natural ingredients to finished product manufacturers or even retailers to assess their interest, or supply ingredients or formulae which 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 Groupe (<http://www.alesgroupe.com>), Aveda, The Body Shop, Yves Rocher and 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).
- Since for cosmetic ingredients high quality is required, joint ventures or other forms of partnership are popular. This became clear from a B2B (business-to-business) meeting organised after the In-Cosmetics trade fair in 2004 by CBI and UNCTAD. Several European buyers showed interest in partnerships.

Traceability and GMP

Most companies source raw materials in dozens of countries. The material has usually passed through many hands before it reaches a manufacturing company, with accompanying traceability issues. However, also as a consequence of for example GMP requirements, traceability is increasingly a must for European buyers. Therefore, a trend towards more direct sourcing can be distinguished. Regarding the traceability in sourcing of natural ingredients the following can be noticed:

- Trend towards more organic-certified material;
- Increasing involvement in sources, as a way to control quality;
- Increasing levels of cultivation for some species;
- Increasing interest in GACP (Good Agricultural and Collection Practice), and other standards (for this, please refer to <http://www.cbi.nl/marketinfo>).

As a consequence, several 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. Furthermore, the capacity of many countries

harbouring biological diversity to engage in value-adding research has increased over the last decade, and companies are increasingly open to collaborations with provider-country institutions, if they are confident of the quality and cost-effectiveness of their work.

Next to this, the application of Fair Trade principles is considered a viable strategy by many European companies as a way to distinguish themselves from their competitors in the sector of cosmetic ingredients.

The Body Shop, for example, has a Community Trade Programme in order to achieve long-term sustainable relationships. This programme is based on fair trade principles. The programme works with 36 community based suppliers of raw ingredients and accessories in 23 countries. In 2002/03, The Body Shop purchased around € 10.5 million worth of natural ingredients and accessory items through the Community Trade programme, including nearly 700 tonnes of natural ingredients. New ingredients include marula oil, melon seed oil, babassu and sesame seed oil. 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. The recent takeover of Body Shop by L'Oreal could mean a further expansion of the programme.

Another interesting partnership is that between Phytotrade and the French company Aldivia. The aim of the agreement with Aldivia is to collaboratively develop and market a range of biologically active lipid ingredients for cosmetics derived from Southern African botanical resources, including baobab, mobola plum, mafura, sour plum, African star chestnut, marula and manketti/mongongo. For more information, please check <http://www.phytotradafrica.com> and <http://www.aldivia.com>.

8.2 Useful sources

Please refer to the country reports of your interest for further, country specific information on trade structure, especially for lists of companies active in the cosmetics and natural ingredients industries.

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 (<http://www.cosmeticsbusiness.com>) and Europages (<http://www.europages.com>) are other good sources for finding contact details and information on the activities of importers.
- The European Directory of Public Access at <http://www.european-cosmetics.info/site/index.cfm?SID=14075> can also be of use.
- The site <http://www.ingridnet.com> is a marketing instrument for companies supplying ingredients. The database includes contact details of 15,000 ingredient suppliers and is used by the food, cosmetic and pharmaceutical industries to source ingredients.
- The CTFA International Buyers Guide at <http://www.ctfa-buyersguide.org> offers a specific site for cosmetic ingredients which is available on CD-Rom as well. Potential exporters from developing countries can register their offer on this site.
- For information on essential oil producers in Europe, please refer to the Ienica's Essential Oils Information Booklet, available at <http://www.ienica.net>.

Moreover, 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 Section 14.5 for more information on trade fairs.

9 PRICES

9.1 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.

Furthermore, organic or fair-trade certification and (for some products) wild collection/cultivation can have an influence on the price, with organically certified and wild collected products being sold at premium prices. The discussion on Fair Trade is also again bringing up the question of cost and price calculation for raw materials from wild collection and cultivation.

Below, some prices of essential and vegetable oils and waxes are discussed.

A difference is made on some price lists of essential oils between spot market and shipment market. 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.

Table 9.1 Import prices of essential oils, March 2005, in €/kg (London, Rotterdam, Hamburg basis)

Commodity	Country of origin	Settlement/ close €/kg	Previous week €/mt	Jan-March High €/mt	Jan-March Low €/mt
Geranium oil	China spot	43.23	43.23	43.23	37.00
	China CIF	39.91	39.91	39.91	35.75
	Egypt fwd fob	33.26	33.26	33.26	30.76
Lavender spike oil	Spot	30.26	30.26	30.26	30.26
Lemon oil	Argentina spot	n.a.	n.a.	6.65	6.65
Lime oil	Mexico fob	17.88	17.88	17.88	17.88
Orange	Brazil spot	2.08	2.20	2.20	2.04
	Brazil fob	1.95	1.95	1.95	1.95
Peppermint oil	China spot	9.56	9.56	11.22	9.56
	India spot	9.15	9.15	10.48	8.94
Vetiver oil	Indonesia CIF	58.20	58.20	58.20	58.20
	China	54.04	54.04	54.04	54.04
	Indonesia spot	70.67	70.67	70.67	70.67

Source: Public Ledger (March 2006)

* Calculated with the exchange rate of the monthly average of March 2006 (Oanda <http://www.oanda.com/>)

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, to ensure sufficient supplies. Stocks are also maintained for speculative reasons, which influence market prices.

Moreover, the latest market report on essential oils by Fuerst Day Lawson (a global supplier of specialist products to the food, beverage, fragrance and chemical industries) mentions the following selected essential oils (<http://www.fdl.co.uk>, April 2006):

- **Geranium oil:** Encouraged by last year's high price, farmers have enlarged their planting area. Provided weather conditions remain stable, a crop of over 100mt is expected. Prices from both China and Egypt have decreased accordingly.
- **Peppermint oil:** In view of the reduced Chinese crop, availability of genuine Chinese DMO will be limited, resulting in higher prices. Indian origin material remains stable but could increase, should further speculation materialise.
- **Orange oil:** The market remains stable and this trend is expected to continue prior to the new crop.

Table 9.2 Price developments of coconut and palm kernel oil on the world market, 2005-2006, in €/tonnes

Commodity	2005 Quarterly averages				2006 monthly averages	
	Jan-Mar '05 €/tonnes	Apr-Jun '05 €/tonnes	Jul-Sep '05 €/tonnes	Oct-Dec '05 €/tonnes	Jan 2006 €/tonnes	Feb 2006 €/tonnes
Coconut oil	509	519	468	482	470	496
Palm kernel oil	505	520	477	511	500	520

Source: Worldbank Pinksheets (March 2006)

US Dollar/Euro conversion based on monthly and yearly rates by <http://www.x-rates.com>.

Table 9.3 Import prices of castor oil, March 2006, in €/mt (London, Rotterdam, Hamburg basis)

Commodity	Settlement/ close €/mt	Previous week €/mt	Jan-March High €/mt	Jan-March Low €/mt
Any origin ex tank Rotterdam	748	735	756	690
Commercial FOB Kandla	598	590	619	557
FSG FOB Kandla	615	611	631	573

Source: Public Ledger (February 2005)

US Dollar/Euro conversion based on monthly and yearly rates by <http://www.x-rates.com>.

Fuerst Day Lawson used to provide rapports on the castor oil market. However, a password is now required to view these rapports. If you would like access to the reports then please contact <mailto:jbray@fdl.co.uk> for your own personal password for access.

Table 9.4 Import prices of beeswax, March 2006, in €/mt (London, Rotterdam, Hamburg basis)

Commodity	Settlement/close €/mt	Previous week €/mt	2005 high €/mt	2005 low €/mt
Ethiopia c&f	3,907	3,824	3,824	3,658
Tanzania c&f	n.a.	n.a.	3,907	3,907
China c&f	2,743	2,743	2,743	2,743

Source: Public Ledger (March 2006)

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;
- Value added.

Margins of prices could be very useful information for exporters from developing countries in determine the sales price of your product. However, more important is to know the cost price of your product and from there on determine the sales price. However, data for calculation of the raw material cost is often difficult to obtain. Please refer to Section 13.3 of this survey for more information on costing and pricing.

9.2 Useful sources

The Internet is a good source for obtaining an idea of retail prices for raw materials. At some sites, professional users can request samples and offers for ingredients. The Internet site of the Herb Growing and Marketing Network includes an herb crop shop, where growers and buyers of botanicals can come together (<http://www.herbworld.com/cropshop/>).

The company FDL (Fuerst Day Lawson <http://www.fdl.co.uk>) publishes frequently market reports on essential oils and aroma chemicals, castor and industrial chemicals, etc. with inside information on the industry and price developments.

Green Trade is an online market place for organic natural ingredients: <http://www.greentrade.net/en/default.html>. Here, buyers and sellers can register for online services.

The Public Ledger (<http://www.public-ledger.com>): 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 soy 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.

ITC provides a market news service for medicinal plants and extracts. This MNS bulletin presents prices and market intelligence for those products for which current information is not readily available, but that is of substantial importance to a significant number of developing countries and has 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 <http://www.intracen.org>.

Finally, FAO and Worldbank provide up-to-date price information on coconut and palm kernel oil: <http://www.fao.org/> and <http://www.worldbank.org/prospects/pinksheets>.

10 MARKET ACCESS REQUIREMENTS

As a manufacturer in a developing country preparing to access EU markets, you should be aware of the market access requirements of your trading partners and the EU governments. Requirements are governed by legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

Strictly speaking, it is not the exporter who has to comply with the EU legislation but EU based manufacturers, importers, wholesalers etc - those who put the ingredient or product on the EU market. They then transfer the applicable requirements onto their suppliers.

Clearly it is important for exporters to know the legislative requirements applicable to suppliers based in the EU. The exporters can then take the necessary preparatory steps to comply with those requirements. Hence their buyers will be in a position to meet EU legislation more readily.

10.1 Legislative requirements

European legislation is compulsory for all products traded within the EU. Therefore, as an exporter in a developing country you have to comply with the legislative requirements that are applicable to your products. For information on legislation for Natural ingredients for cosmetics, go to 'Search CBI database' at <http://www.cbi.nl/marketinfo>, select Natural ingredients for cosmetics and the EU in the category search, click on the search button and click on legislative requirements for an overview of all documents on legislation.

A compulsory regulation like Cosmetics Directive 76/768/EEC can embody a major obstacle for exporters of natural ingredients for cosmetics to export to the European Union. This concerns both general regulations, prohibiting certain imports, but also the costs of inspection at the border, which could represent a major barrier.

10.2 Non-legislative requirements

Social, environmental and quality related market requirements are of growing importance in international trade and are often requested by European buyers through labels, codes of conduct and management systems. For information on non-legislative requirements applicable to natural ingredients for cosmetics go to 'Search CBI database' at <http://www.cbi.nl/marketinfo>, select natural ingredients for cosmetics and the EU in the category search, click on the search button and click on your subject of interest under non-legislative requirements for an overview of all documents on the subject concerned.

10.3 Packaging, marking and labelling

You can download information on requirements on packaging, marking and labelling in specific EU markets from the CBI website. Go to 'Search CBI database' at <http://www.cbi.nl/marketinfo>, select natural ingredients for cosmetics and the EU country of your interest, click on the search button and click on 'sector surveys' for an overview of market surveys and documents on the country of your interest.

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.

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 of 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's product.

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. Useful sources on packaging are 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 ITC at <http://www.intracen.org/ep>.

10.4 Tariffs and quota

You can download information on requirements on tariffs and quota in specific EU markets from the CBI website. Go to 'Search CBI database' at <http://www.cbi.nl/marketinfo>, select your natural ingredients for cosmetics and the EU country of your interest, click on the search button and click on 'sector surveys' for an overview of documents on the surveys of your interest.

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. In order to support exports from developing countries, the EU operates the Generalised System of Preferences (GSP). Under the GSP scheme of the EU, imports from a number of developing countries are admitted at a reduced tariff and imports from a group of least-developed countries at a zero tariff.

The box below gives an overview of the tariffs for selected natural ingredients. A zero tariff is applied for a number of developing countries, and a number of countries encounter the special tariff, which is lower than the general tariff.

Product group	General tariff	Tariff for developing countries
Coconut butter, fat and oil (1513)	0-12.8	0-8.9
Coconut oil (1513)	0-12.8	0-8.9
Peanut oil (1508)	5.1-9.6	0-2.9
Essential oils (3301)	0-7	0
Castor oil (1515)	0-12	0-8.9
Medicinal & aromatic plants (1211)	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
	0-11	0
Seaweed & other algae (121220)	0	0

Source: http://www.europa.eu.int/comm/taxation_customs/dds/en/tarhome.htm

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 imports from specific countries. This information, written in the Dutch language, is up-dated everyday.

Value Added Tax (VAT)

For information on VAT rates for the individual EU countries please refer to the respective country surveys. The standard VAT rates are applied to cosmetic products, ranging from 15% in Cyprus and Luxembourg to 25% in Sweden and Denmark.

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". In contrast with natural ingredients for cosmetics, no standard VAT rates are applied to natural ingredients for pharmaceuticals.

Useful Internet sites

The Taric Homepage gives up-to-date information on the import tariffs. This information can be found at http://europa.eu.int/comm/taxation_customs/dds/en/tarhome.htm. The Directorate General XXI, the Taxation and Customs Union at http://europa.eu.int/comm/taxation_customs/common/publications/info_docs/taxation/index_en.htm provides information on VAT rates.

11 EXTERNAL ANALYSIS: MARKET AUDIT

The external analysis assists the exporter to identify market opportunities, suitable sales channels and other relevant external factors. It shows the exporter which information is of relevance, how this can be collected and how it could be analysed.

11.1 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.

→ Besides the European market, exporters in developing countries should keep an eye on developments on other national, regional and international markets. First of all, because of international developments in the industry and, secondly, to be not 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. However, in general, when starting with exporting it is better to focus on one market and one market segment.

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.
- Moreover, CBI provides useful manuals. Please refer to Chapter 3.1 and 3.2 of CBI's *Export Planner*, Chapter 3 of CBI's *EMP Document builder* and Chapter 3.1.1 to 3.1.6 of CBI's *Your Guide to Market Research*.
- 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 the respective country survey's.
- **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 mentioned in Chapter 14.5. Please find other trade press in the different country survey's.
- **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.

Market access requirements

CBI's market information database (on <http://www.cbi.nl/marketinfo>) describes a wide array of market access requirements, which are applicable to exporters of natural ingredients for cosmetics. It is important to determine which requirements apply to your situation. Not all non-legislative requirements are necessarily widely recognised by your potential customers.

Currently, many countries including 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 of their products.

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

Questions that an exporter should be able to answer are:

- What standards are set on the quality of products?
- What standards apply to the quality of your company (ISO)?
- To what degree do Cosmetic Directives apply to your products?

- Especially in the case of medicinal plants collected from the wild, it is important to check if CITES regulations apply.
- What is the importance of environmentally sound production methods?

Tariff barriers

In general, tariff barriers, as mentioned in Chapter 10.4, are important for bulk replacement products. 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. However, in general, a lower tariff applies to developing countries.

Questions that an exporter should answer are:

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

11.2 Competitor 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, i.e. the companies as well as countries. Other CBI manuals that provide useful insights are Chapter 2.5.4 and 3.3 of CBI's *Export Planner*, Chapter 3 of CBI's *EMP Document builder* and Chapter 3.1.6 of CBI's *Your Guide to Market Research*.

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. Those who have most overlap with your product range and, moreover, who supply under better conditions (regarding price, quality, delivery conditions, extra services etc.) are your main competitors. 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 5 gives you insight into production of natural ingredients in the EU. Suppliers of ingredients of cosmetics in other developing countries also represent an important group of potential competitors. You can find useful information in Chapter 6 on product streams originating in these countries. Furthermore, several relative weaknesses of ingredient producing companies in developing countries, competing with better-organised global companies, are given in the internal analysis of Chapter 11.

Trade shows can also be used for finding out more about competition. Take the time to attend industry trade shows to check out competing companies and their products.

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. These are often of the most important factors that positively distinguish 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 and end-market, 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.

- 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 are competitors in the target market supported by the local government?

11.3 Distribution channel assessment

- The information provided in Chapter 8 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.

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.

B2B: advantages for suppliers

- Long-term and more stable commercial ties
- Fair prices and revenues
- Potential for expanding/ entering into new markets
- Fair trade principles
- Risk mitigation
- Skills and technology transfer from larger business
- Best practices related with bio trade activities
- Improving natural resources' management

B2B: advantages for buyers

- Strengthened and stable supply chains and sustainable development creation
- Cost efficiency and stability
- Product innovation
- Enhanced public image through better corporate social responsibility
- Quality improvement and tracing
- Support sustainable value chains with adequate use of natural resources

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 8, for information on potential sales channels.
- Interesting are also Chapter 4.6 and 4.7 of CBI's *Export Planner*, Chapter 3 and 7.7 of CBI's *EMP Document builder* and Chapter 3.3.3 of CBI's *Your Guide to Market Research*.

- 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 matchmaking 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!

11.4 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 much lower. This kind of transportation is most suitable for dried raw materials and for a number of oils.
- Due to higher costs this air transportation is used for value-added products, such as essential oils and extracts, as well as fresh products.
- Truck cargo in the EU can only be used for imports from nearby located countries such as Turkey, the 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.

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 hygienically 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 consider the following proper storage and transport, standard packaging sizes, and 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.

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.
- Also please refer to section 10.2 and 14.4 of this survey.
- 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>

11.5 Value chain

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) to which a company has to conform, in order to gain access to a market and be competitive. Due to the GMP requirements, more companies become aware of the need of product documentation and traceability. Many of them use this as a first opportunity to establish direct links with the original suppliers of the raw material or ingredients. The visualisation of the procurement process in the context of the supply chain connects the different worlds of offer and demand.

The value chain analysis allows all partners in the trade channel to increase their awareness with regards to the social, economic and ecological aspects of sustainability, focusing on the important issues of product documentation (TDS, MSDS) and cost/price calculation.

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 value-added by establishing new value chains within the sector;
- improve the sector's contribution to development objectives.

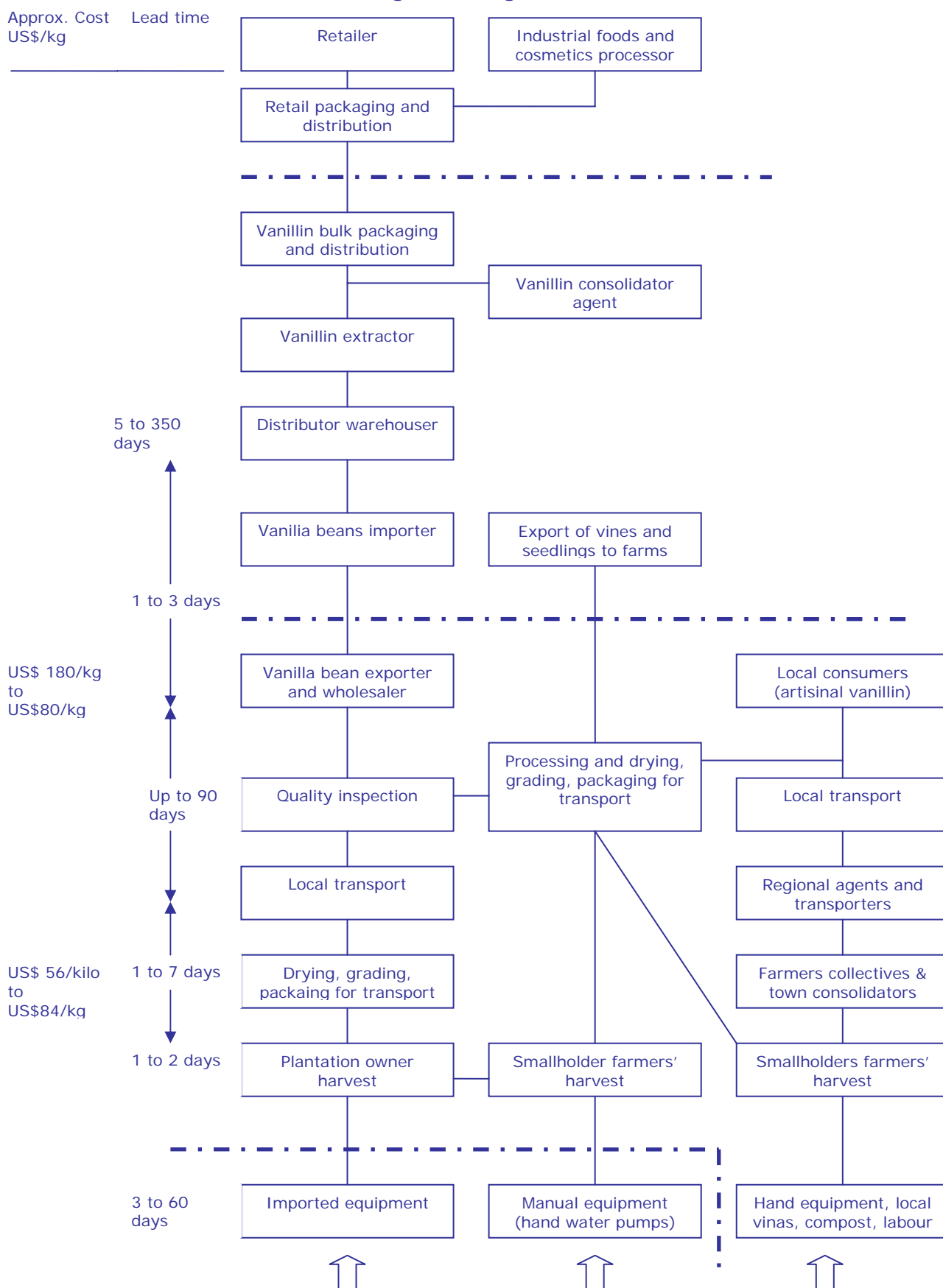
From a company perspective, the value chain approach offers more than a theoretical concept. It is a very practical tool for analysing linkages in the supply chain and for accessing potential for capturing, retaining and adding value to the company's product, keeping in mind its final user.

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.

As an example, Figure 11.6 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 11.6 Value chain for Ugandan organic vanilla and vanillin



Source: Ian Sayers, International Trade Centre (UNCTAD/WTO) Geneva, 2003

Note: Exports of uncertified organic vanillin from Uganda amount to approximately € 9 million.

Costing and pricing in the value chain

Also shown in Figure 11.6 is the value addition at the various stages of the supply chain. The value added 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.

Please refer to Chapter 9 and the country documents, for further information on price developments and sources of price information, and Section 14.3, which includes information on price setting. For general information, please refer to Chapter 3.1.4 of CBI's Your guide to market research.

11.6 Product profiles

The below boxes list the product profiles of 2 important natural ingredients for cosmetics: shea butter and castor oil. Exporters should develop product profiles for their own (prospective) export products.

PRODUCT PROFILE SHEA BUTTER		
1. Product name: Shea butter		INCI ¹ name: <i>Butyrospermum parkii</i>
2. Market requirements: <u>Quality standards:</u> A standard analysis for oils and fats is required by importers. This analysis includes a check of colour, acid value etc. The following is a benchmark for the composition of the shea nut required for import: Free Fatty Acids (FFA) = less than or equal to 6% Moisture Content = less than or equal to 7% Oil Content = greater than or equal to 45% Latex = 4-10% The oil content is the most crucial element of the shea nut. If the oil content is higher and the FFA and moisture content is lower, then the exporter will receive a price premium. Shea butter buyers may also specify its iodine value and a melting point of between 30° C and 40° C - which signifies a minimum purity. Needless to say, the product should be free of foreign bodies. Users in the cosmetic industry want a very highly refined butter product (such as the butter of <i>Vitellaria nilotica</i>) and may require a detailed specification of the different fatty acids, the refractive index and a saponification value (http://www.unctad.org/infocomm/francais/karite/Docs/world3.pdf , 1999). <u>Minimum labelling:</u> Legal requirements for raw materials specify that the following aspects must be indicated on the label <ul style="list-style-type: none"> • product name • of which material it is, and • from which batch the material comes. Deliveries must be accompanied by a Material Safety		3. Market structure: <u>Export price:</u> ca. € 1.9/kg (1999) <u>Main markets:</u> The main European importers are France and Germany, followed by the UK. <u>Market trends:</u> There is increasing demand for shea butter from the cosmetic industry. It is used as a substitute for cocoa butter. A market and technical survey on shea nuts (1999) can be downloaded from http://www.unctad.org/infocomm/francais/karite/Docs/world3.pdf
		4. Main suppliers: The leading supplying countries of shea butter are Mali, Burkina Faso, Benin, Senegal, Ivory Coast, Ghana, Gambia, Nigeria

<p>Data Sheet (generally handled by the importer). Further, it is strongly recommended to include the following aspects on the label:</p> <ul style="list-style-type: none"> • name and address of the producer/exporter; • net weight; and • recommended storage conditions. <p><u>Packaging:</u> 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.</p> <p><u>Import regulation:</u> Relevant import documents:</p> <ul style="list-style-type: none"> - EUR 1 form for ACP countries - FORM A for other developing countries 		
<p>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. More information at http://www.sheainstitute.com or http://www.sheabutter.com</p>		

¹ International Nomenclature Cosmetic Ingredients

PRODUCT PROFILE CASTOR OIL			
1. Product name: castor oil		INCI name: <i>Ricinus communis</i>	
<p>2. Market requirements: <u>Quality standards:</u> Standards include general criteria for oils dependent on the oil status (crude or refined). Castor oil is well established and generally only pharmaceutical grade oil is used in cosmetics due to concerns over allergic reactions. Several castor oil derivatives are included in the INCI "inventory of ingredients" listing, which can be encountered at http://ec.europa.eu/enterprise/cosmetics/inci/inci_2006.pdf.</p> <p><u>Minimum labelling:</u> Legal requirements for raw materials specify that the following aspects must be indicated on the label</p> <ul style="list-style-type: none"> • product name • of which material it is; and • from which batch the material is. <p>Deliveries must be accompanied by a Material Safety Data Sheet (generally handled by the importer).</p> <p>Further, it is strongly recommended to include the following aspects on the label:</p> <ul style="list-style-type: none"> • name and address of the producer/exporter; • net weight; and • recommended storage conditions. <p><u>Packaging:</u> Castor oil is shipped in standard 200-220 litre iron drums, containing approximately 180 kilograms of oil.</p> <p>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</p>		<p>3. Market structure: <u>Export price</u> (Public Ledger, February, 2005): Price level depends on quality of the oil. Any origin ex-tank Rotterdam (Mar 05/Jun 05): € 900/ tonne; Commercial FOB Kandla (Mar 05/Jun 05): € 720/ tonne; First special grade FOB Kandla (Mar 05/Jun 05): € 740/ tonne.</p> <p><u>Market trends:</u> End of April 2005, the castor oil market has continued to decline somewhat. This weakening market is mainly attributable to the consistently high seed arrivals throughout April. However, it is likely that the arrivals have now peaked and will gradually reduce throughout the remainder of the year until the new crop takes effect in December/ January</p>	<p>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.</p>

<p>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.</p> <p><u>Import regulation</u> Relevant import documents:</p> <ul style="list-style-type: none"> - EUR 1 form for ACP countries - FORM A for other developing countries 	<p>(http://www.fdl.co.uk/main_content.asp?id_content=304&id_subitem=10&id_division=4 2005).</p>	
<p>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.</p>		

12 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. Because 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.

12.1 Product standards, USP and production capacity

USPs

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. 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.

Product standards

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.

Many European importers entering into a co-operation agreement with an African, Asian or Latin-American company introduce their own quality system. Documentation according to GMP and ISO 9000:2000 is necessary, because importers of natural ingredients will have to channel the ingredients into their GMP systems.

Quality refers not only to product quality, because management quality is just as important. An exporter should distinguish between product quality standards (i.e. GMP, GACP) and process or management quality standards (ISO 9000 and ISO 14000). In general, legislative

requirements are 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.

Check your current quality standards with the voluntary and compulsory standards described in CBI's market information database. Also, refer to Chapters 10 and Section 11.1 and 11.2 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% 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?

12.2 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)

For general information, please refer to Chapter 2.1 to 2.4, Chapter 2.5.2 and Chapter 4.2 and 4.3 of CBI's Export planner and Chapter 4.1 and Chapter 7.5 of CBI's EMP document builder.

12.3 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 14. Please also refer to Section 11.3. For general information refer to Chapter 2.1 tot 2.4 and 2.5.2 of *CBI's Export planner* and Chapter 4.1 of *CBI's EMP document builder*.

Questions that need to be answered:

- Does your company have people specifically assigned to marketing and sales activities? Pay close attention to your sales organisation.
- Which persons do you know in the target markets? How frequently are customers visited?
- What promotion materials are available?

12.4 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. Domestic products often cannot be exported unchanged. The extent to which the exporter will (have to) 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 14.4. Also refer to Chapter 11.3 on distribution channel assessment. For general information, refer to Chapter 2.1 to 2.4 and 2.5.2 of *CBI's Export planner* and Chapter 4.1 of *CBI's EMP document builder*.

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.

12.5 Capabilities

Commitment to export

It is important to consider whether the company has staff that is 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 on 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?

Please refer to Chapter 2.1 to 2.4 and 2.5.2 of CBI's *Export Planner*, Chapter 4.1 of CBI's *EMP Document builder* for additional information.

13 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.

13.1 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 table 13.1.

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.

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 are? 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.

For more information please refer to Chapter 2.5.5 of *CBI's Export planner*, Chapter 4.3 of *CBI's EMP document builder* and Chapter 3.1.9 and 3.2 of *CBI's Your guide to market research*.

Table 13.1 Example of a SWOT analysis for exporters of natural ingredients for cosmetics in developing countries

INTERNAL FACTORS	
<u>Strengths</u>	<u>Weaknesses</u>
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Entrepreneurial capacity • Negotiation skills • Language and communication • Certification • Lack of marketing knowledge • Quality • 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	
<u>Opportunities</u>	<u>Threats</u>
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Entrance of East European countries to the EU • 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.

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.

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 when exporting:

- Increasing the range of products and identifying market demands.
- Cost and price calculation based on 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. 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.

Please also refer to Chapter 9 and Section 14.3 for information on developments of prices and price setting. Furthermore, of interest is Chapter 3.3.4 of CBI's *Your Guide to Market Research*. For more information about the value chain approach, see e.g. <http://www.tradeforum.org/news/fullstory.php/aid/529>.

13.2 Strategic options & objectives

Through conducting the external analysis (market audit) and internal analysis (company audit) (Chapters 11 and 12), you will be able to come to a decision whether or not to export.

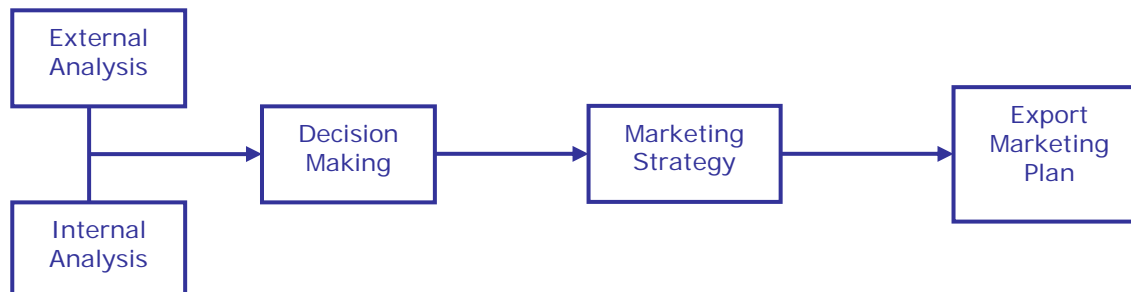
- You have identified products suitable for export development. In addition, you know what modifications, if any, must be made to adapt them to overseas markets.
- You know what countries and market segments you are going to target for sales development and/or co-operation agreements.
- You have identified 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?

<i>Advantages and disadvantages of exporting:</i>	
Advantages:	Disadvantages
<ul style="list-style-type: none"> • enhance domestic competitiveness • increase sales and profits • gain global market share • reduce dependence on existing markets • exploit corporate technology and know-how • extend the sales potential of existing products • stabilise seasonal market fluctuations • enhance potential for corporate expansion • sell excess production capacity • gain information on foreign competition 	<ul style="list-style-type: none"> • develop new promotional material • subordinate short-term profits to long-term gains • incur added administrative costs • allocate personnel for travel • wait longer for payments • modify your product or packaging • apply for additional financing • obtain special export licenses

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 11) and internal analysis (company audit, Chapter 12)
- SWOT (Chapter 13)
- Decision making & formulation of objectives (Chapter 13)
- Elements that can be used as inputs for the Market Entry Strategy and Export Marketing Plan (Chapter 14).

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 (MES). 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 EMP 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.

Together with the tools provided in Chapter 14, the exporter should now be able to draw up the Market Entry Strategy (MES) and Export Marketing Plan (EMP). For general information on formulating a MES and EMP, refer to Chapter 4 and Chapter 6 of CBI's *Export planner*, CBI's *EMP document builder* and Chapter 3.3 of CBI's *Your guide to market research*.

14 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.

14.1 Matching products and the 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 (<i>Butyrospermum parkii</i>)
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 allantoin 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?

For additional information on the subjects discussed in this section, please refer to Chapter 2.1 to 2.4, 2.5.2 and 4.2 and 4.3 of CBI's *Export Planner*, Chapter 4.1 and 7.5 of CBI's EMP document builder.

The aim of reviewing the product range is 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** (please refer to Section 11.1 for important ones, or refer to the country survey's)
- Visiting **trade fairs** is also a good way of becoming informed about potentially interesting varieties.
- From more **detailed trade statistics**, you can often determine which varieties are most popular in the target markets.
- Interviews with product and market **experts**.
- For general information, please refer to Chapter 2.1 to 2.4 and 2.5.2 of CBI's *Export Planner*, Chapter 4.1 and 4.3 of CBI's *EMP Document builder* and Chapter 7.5 of CBI's *EMP document builder*.

- 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.

14.2 Building up a relation 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 trade 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:

- Visit international trade fairs;
- Build a network in order to extend your contacts;
- 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;
- 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, or not respond at all. However, only a few positive replies are needed to continue your search and evaluation of prospective distributors.

Also, refer to the recently published CBI manual "*Your Image Builder*" and to Chapter 5 of CBI's *Export Planner*.

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

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!

14.3 Drawing up an offer

There are two different kinds of offers:

1. general offer or company introduction; and
2. specific offers.

(a) Drawing up 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

Pricing and dealing with competition is often a bottleneck for exporters from developing countries. To establish an overseas price for 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 add 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.

For general information, please refer to Chapter 4.5 of CBI's Export Planner, Chapter 7.6 of CBI's EMP Document builder and Chapter 3.3.2 of CBI's EMP document builder.

- 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)

14.4 Handling the 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. For definitions of a greater number of payment methods and delivery terms, refer to Appendix 1 and 2 of CBI's *Export Planner*.

- *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% 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 <http://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 the shipment to be insured?

14.5 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, expanding these customer relations, 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).

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 communication costs, fast worldwide data delivery and multimedia possibilities.

Besides one-to-one communication by 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. CBI provides the manual "*Website promotion*". For more information please contact CBI through e-mail: <mailto:cbi@cbi.nl>.

Trade press

Trade press can function as a means for gaining insight into market developments and competition, but can also have a promotional function. This concerns both finding potentially interesting companies, as well as promotion of your own activities and products. Interesting trade press in the EU includes the following.

- Parfums Cosmétiques Actualités (French, with excerpts in English) (<http://www.parfums-cosmetiques.presse.fr>)
- EuroCosmetics (English, German, French) (<http://www.eurocosmetics-magazine.com>)
- COSSMA (German, English) (<http://www.cossma.com>)
- Soap, Perfumery and Cosmetics (English) (<http://www.spc-magazine.com>)
- SOFW – Cosmetic Ingredients International (German, English) (<http://www.sofw.com/>)
- Inside Cosmetics (English) (<http://www.inside-cosmetics.de/>)
- International Journal of Cosmetic Science (English) (<http://www.blackwellpublishing.com/journal.asp?ref=0142-5463>)

- Manufacturing Chemist (English) (<http://www.manufacturing-chemist.info/>)
- C&T Cosmetics and Toiletries (English) (<http://www.cosmeticsandtoiletries.com/>)
- Happi Magazine (English) (<http://www.happi.com/>).

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 other trade fairs are listed in the respective country survey's.

Main European trade fairs 2006-2007				
Trade fair	Where?	When?	What?	Internet
SANA	Bologna, Italy	September 7 -10, 2006	International Exhibition of Natural Products - Nutrition, Health, Environment	http://www.sana.it
Cphi Worldwide	Paris Nord, Villepinte	October 3-5, 2006	Pharmaceutical ingredients and intermediates.	http://www.cphi.com
EUROLIPIDS	Frankfurt / Main, Germany	November 2 -4, 2006	International Trade Fair for Fats & Oils and related Technologies	http://www.eurolipids.de
BioFach	Nürnberg, Germany	February 18-18, 2007	Organic products, natural ingredients	http://www.biofach.de
CHi Europe 2006	Warsaw, Poland	October 25 - 26, 2006	Personal Care and Homecare Ingredients trade fair	http://www.stepex.com/chi/
In-Cosmetics 2005	Porte de Versailles, Paris	April 17 - 19, 2007	Trade fair for suppliers of raw materials/ ingredients for cosmetics, toiletries and personal care.	http://www.in-cosmetics.com
Health Ingredients Europe	Amsterdam, The Netherlands	November 14 - 16, 2006	Ingredients for health, functional and organic foods.	http://www.hi-events.com

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"*.

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 2004, a number of EDP participants took part in the trade fair In-Cosmetics in Paris (for more information please contact <mailto: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.

For more information on sales promotion, please refer to Chapter 4.8 of CBI's *Export Planner*, Chapter 7.8 of CBI's *EMP Document builder* and Chapter 3.3.4 of CBI's EMP document builder.

APPENDIX A DETAILED HS CODES

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 chemically modified)	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, interesterified	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	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

APPENDIX B LISTS OF DEVELOPING COUNTRIES

OECD DAC list - January 2006 - When referred to developing countries in the CBI market surveys, reference is made to the group of countries on this OECD DAC list of January 2006:

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

List of CBI countries – January 2006 - CBI supports exporters in the following Asian, African, Latin American and European (Balkan) countries:

Bangladesh
Benin
Bolivia
Bosnia-Herzegovina
Burkina Fasso
Colombia
Cuba
Ecuador
Egypt
El Salvador
Ethiopia
Ghana
Guatemala
Honduras
India
Indonesia
Jordan
Kenya
Macedonia
Madagascar
Mali
Mozambique
Nepal
Nicaragua
Pakistan
Peru
Philippines
Senegal
Serbia and Montenegro
South Africa
Sri Lanka
Suriname
Tanzania
Thailand
Tunisia
Uganda
Vietnam
Zambia