CBI MARKET SURVEY

THE MARKET FOR NATURAL INGREDIENTS FOR COSMETICS IN AUSTRIA

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Introduction

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

There is a general lack of information on the industrial demand for natural ingredients for cosmetics as well as for general ingredient needs of the cosmetics industry. Therefore, the sections on consumption and production will also discuss the end-product market and industry, which can function as an indicator for industrial demand for ingredients. Where available specific information on the Austrian market for ingredients for cosmetics market/industry has been included.

1. Market description: Industrial demand and production

Consumption

- The Austrian market for cosmetics ranked 10th in the EU15 in 2004 with a moderate increase of 2.8% annually in sales between 2001 and 2004. Per capita consumption in Austria is the same as the EU average of € 149.

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

2001	2002	2003	2004	Average annual change
1,116	1,160	1,190	1,212	2.8%

Source: Colipa (2005)

- The increased competition of retailers' private labels pushed prices down. This had a negative impact on the value of total sales.
- Skin care was the fastest growth area in the market for cosmetics with a growth rate of 6.4% (Colipa, 2006).

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

Fragrances Perfumes		Decorative Cosmetics		Skin care		Hair care		Toiletries	
€ billion	%	€ billion	%	€ billion	%	€ billion	%	€ billion	%
0.13	10.7%	0.19	16.0%	0.27	22.0%	0.31	25.6%	0.31	25.7%

Source: Colipa (2006)

- The natural cosmetics market is also growing (Ienica, 2004).
- The consumption of relevant vegetable oils is shown in table 1.3. In general, Austrian consumption of oils is decreasing. Please note that many of these products, especially palm oil, soybean oil and sunflower oil are bulk products, of which only a small part ends up in

cosmetics. Because of these large volumes they are very difficult market to enter for smaller producers.
- Information on consumption of the other product groups is not available.

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

	2001	2002	2003	Share of EU
Coconut oil	15,032	3,244	3,744	0.6%
Groundnut oil*	1,542	1,568	1,279	0.7%
Olive oil	4,652	3,951	4,477	0.2%
Palm kernel oil	3,475	3,234	3,707	0.6%
Palm Oil	24,720	36,110	27,232	0.8%
Sesame seed oil	144	121	166	0.6%
Soybean oil	35,549	40,758	42,766	1.9%
Sunflower seed oil	34,109	39,309	23,454	0.9%
Other vegetable oils	203,959	189,821	202,720	3.7%
Vegetable oil total	**323,182**	**318,116**	**309,545**	**1.8%**

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

Production

- The Austrian market for cosmetic products is dominated by multinational players such as Beiersdorf, L'Oreal, Schwarzkopf & Henkel, Procter & Gamble and Unilever. Together these companies accounted for more than 40% of value sales in 2004; multinationals also account for a substantial part of Austrian cosmetics production.
- Total reported production of vegetable oils accounted for 219,877 thousand tonnes in 2003. The production of vegetable oils decreased by 4% since 2002.
- Sunflower and rapeseed oil are the main oilseed crop species commercially grown in Austria at present. Moreover, more than 50 other oil-bearing species are currently investigated for utilisation opportunities.
- Please note that many specialist fats and oils from developing countries are not included here, because they are not, or to a very limited degree, produced in Austria. The same holds for medicinal and aromatic plants.
- Austria is a major grower of medicinal and aromatic plants in the EU. A total area of 19,745 hectares was in use for the production of herbs applicable in cosmetics.

Table 1.4 Indication of total cultivated area, organic area and number of growers of herbs used in cosmetics in Austria, 2005, in hectares

Scientific name	Common name	Total area	Organic area	Nr. of growers
Cucurbita pepo	Squash	15,100	300	5,000
Linum usitatissimum	Flaxseed	4,200	450	1,500
Cannabis sativa	Hemp	320	41	100
Hypericum perforatum	St Johns Wort	60	1	40
Mentha piperita	Peppermint	50	10	50
Other		15	75	39
Total		**19,745**	**877**	**6,729**

Source: EHGA Europam (2005)

- It should be noted that EHGA is an association of herb growers and information is based on production areas of its members. Therefore these figures are probably an underestimation of the actual areas.
- Other smaller herbs are coriander, lemon balm and chamomile, with around 30 hectares each, of which a considerable part is organic (EHGA Europam, 2005).
- No information is available on the production of other product groups discussed in this survey. However, Austria has several companies processing natural ingredients for cosmetics, which are mentioned in section 3 of this survey.

Trends
- Trends in the cosmetics industry include stronger diversification, with people looking for products more convenient in use (Euromonitor, 2005).
- Information to make a forecast for the natural cosmetics and the natural ingredients market in Austria is unavailable. However, the general trends in the EU market should also apply to Austria and can be found in the survey covering the EU.
- There is a slow but growing interest in organic certified products in the expanding sectors of herbal pharmaceuticals, natural cosmetics and body-care products. The stable price conditions favour a future outlook in this special field of plant production (IENICA, 2004).

Opportunities and threats
- Growing interest in bio-certified products and natural cosmetics could offer suppliers of natural ingredients an attractive option to deal with the strong competition and low prices in the conventional market by focusing on certified products.
- However, as the Austrian market is dominated by multinationals, increasing or shifting demand does not necessarily translate into increased domestic industrial demand.

Useful sources
- For more information on Austria, please refer to the 2004 IENICA report, available on http://www.ienica.net/.
- Espicom (http://www.espicom.com) and Euromonitor (http://www.euromonitor.com) also provide information on the Austrian market. Please keep in mind that only summaries are readily available, the reports themselves come at considerable cost, but do provide company names.
- Furthermore, Austrian trade associations mentioned in section 6 of this survey, and the Austrian statistics agency (http://www.statistik.at/) can be a source of information.

2. Trade: imports and exports

Imports
- Austrian imports of all five product groups considered in this survey are increasing, but remain limited. Only for essential oils was Austria among the medium-sized importers. In general, the share of developing countries is less than in the EU.
- Austria is a small importer of vegetable oils. Imports increased by 2.3% annually between 2000 and 2004, amounting to € 57.5 million. Only 1% is imported from non-EU countries.
- Imports of vegetable saps and extracts amounted to € 25.6 million, signifying a 6.7% annual increase between 2000 and 2004. Only 7% is imported from developing countries, with Indonesia and India both supplying 2% of imports.
- Imports of essential oils amounted to a significant € 17 million in 2004, implying an annual increase of 6.1% between 2000 and 2004. 30% is imported from developing countries, with important suppliers such as Albania and North Korea.
- Raw plant material was imported with a value of € 8.5 million in 2004, signifying an increase of 6.2% per year since 2000. 14% is imported from developing countries, the most important being China.
- Imports of colouring matter increased by 4.2% annually between 2000 and 2004, amounting to € 4.3 million in 2004. 97% originates from other EU countries, especially Germany. Only Peru and India (1% of total imports each) played a minor role among developing countries.

Exports
- Austrian exports are considerable for essential oils, where exports show a significant growth averaging 13.4% per year, amounting to € 19 million in 2004. It is difficult to assess how much of these exports concern re-exports. Colouring matter is also exported in greater quantities each year, with exports increasing 14.6% per year to € 2.3 million.
- Other products are either showing stable exports (vegetable oils) or decreasing exports (saps and extracts and raw plants material) but exports are small.

Opportunities and threats

- Considering the very positive development of imports into Austria, the country could provide developing countries with many opportunities.
- However, the role of developing countries until now is rather limited, especially in an EU perspective. Most products are traded through Germany or other European countries and not directly into Austria, especially bulk products such as vegetable oils.

Useful sources

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

3. Trade structure

- In general, the same trade channels apply to Austria as those mentioned in the survey covering the EU. The traditional approach of contacting traders, intermediate processing companies, agents and wholesalers (either with or without processing capacity, dependent on the product) remains the most important method.
- However, some end-industries can also be approached, as they also import directly from developing countries. This is especially the case for specialist niche players such as natural or organic producers.
- In 2004, the top five players in the Austrian cosmetics market were all multinationals. These multinationals, but also other cosmetics companies, have global sourcing methods typical for global players in the industry and therefore do not necessarily add to domestic industrial demand.
- Domestic companies of interest for exporters of natural ingredients for cosmetic are Nektar Kosmetik (http://www.nektar.at/nektar/sites/firma_eng.htm, natural cosmetics) Plantapharm GmbH (http://www.plantapharm.at, extractor) and Aroma Manufaktur (http://www.aroma-manufaktur.com, extractor of essential oils).

4. Prices

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

5. Market access requirements

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

XXI fo_docs/taxation/index_en.htm

6. Business practices

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

- The only cosmetic related trade association in Austria is FCIO: The Association of the Austrian Chemical Industry (http://www.fcio.at) However, this association mainly represents the interests of Austrian companies which manufacture chemical products on an industrial basis.
- A trade fair of interest could be Cosmetica in Salzburg (http://en.cosmeticasalzburg.at).
- Interesting trade press is Beauty Forum Edition Austria, published by the Health and Beauty Group- Marketing (http://www.beauty-forum.at).

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