

CBI MARKET SURVEY

THE MARKET FOR NATURAL INGREDIENTS FOR COSMETICS IN DENMARK

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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 Denmark. 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>.

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

1. Market description: industrial demand and production

Industrial demand

- The Danish market for cosmetics was worth € 879 million in 2004 after experiencing a relatively high annual growth of almost 6% between 2001 and 2004. The share of the total EU25 market was 1.4%. Compared to other markets in the EU15 Denmark ranks 12th. The per capita consumption of € 163 is considerably higher than the EU15 average of € 149.

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

2001	2002	2003	2004	Average annual change
739	812	837	879	5.9%

Source: Colipa (2006)

- Skin care registered the highest growth rate of 7.3% in 2004. Although hair care also grew by 6.5%, critical media attention negatively affected the sales of hair colouring products.

Table 1.2 Danish 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	%
0.16	18.3%	0.10	10.8%	0.17	19.3%	0.28	32.2%	0.17	19.3%

Source: Colipa (2006)

- The forecast for the coming year is a continuation of growth of the cosmetics market.
- The potential for product innovation and consequently consumer differentiation remains high for convenient beauty products such as hair colorants, colour cosmetics and specialist hair care.
- No information is available as regards the consumption of natural cosmetics, although considering development in surrounding EU countries and the fact that Denmark is on the

forefront of organic consumption in Europe, it is to be expected that the country has a considerable natural cosmetics industry.

- As regards the industrial demand for ingredients, the industrial demand for relevant vegetable oils is shown in table 1.3. Please note that many of these products, especially palm oil, soybean oil and sunflower oil are bulk products, of which only a small part ends up in cosmetics. Because of these large volumes they are very difficult markets to enter for smaller producers.

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

	2001	2002	2003	Share of EU
Coconut oil	7,717	5,819	6,015	0.9%
Groundnut oil*	1,065	257	2,786	1.6%
Olive oil	3,052	3,003	3,327	0.2%
Palm kernel oil	20,776	7,917	9,064	1.4%
Palm Oil	110,119	120,361	165,484	4.9%
Sesameseed oil	759	665	630	2.2%
Soybean oil	32,423	65,926	25,651	1.2%
Sunflower seed oil	7,345	4,493	7,599	0.3%
Other vegetable oils	189,821	47,230	114,805	2.1%
Vegetable oil total	373,077	255,671	335,361	2.0%

Source: FAO, 2005

*The use of groundnut oil in cosmetics is decreasing due to its allergic properties.

Production

- Of the leading companies in the cosmetics market only Blumøller (<http://www.blumoller.dk/>) is a local player, whereas Colgate-Palmolive, L'Oréal, and Unilever are the most important foreign players.
- A large part of the cosmetics market is supplied by foreign production facilities.

Table 1.4 Danish production of vegetable oils, 2001-2003, in 1,000 tonnes

	2001	2002	2003	Share of EU
Coconut oil	242	182	192	1.0%
Groundnut oil*	1,866	1,179	1,809	2.9%
Palm kernel oil	0	0	0	0.0%
Sesameseed oil	646	564	556	2.2%
Soybean oil	15,400	16,300	19,700	0.7%
Sunflower seed oil	11,500	300	2,500	0.0%
Other vegetable oils	127,999	139,169	124,883	2.6%
Vegetable oil total	157,653	157,694	149,640	1.1%

Source: FAO, 2005

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 Denmark.

- Denmark is a small producer of vegetable oils in the EU with a production amounting to 149,640 thousand tonnes in 2003. Production decreased slightly between 2001 and 2003., Production areas of herbs used in cosmetics are shown below. Please note 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.
- 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 Denmark. The same holds for medicinal and aromatic plants.

Table 1.5 Indication of total cultivated area, organic area and number of growers of herbs used in cosmetics in Denmark, 2005, in hectares

Scientific name	Common name	Total area	Organic area	Nr. of growers
Rosa canina	Dog rose	65	33	32
Achillea millefolium	Yarrow	1	1	1
Hypericum perforatum	St Johns Wort	5	2	7
Mentha spp	Mint	1	1	3
Sambucus nigra	Common elder	5	1	6
Total		77	38	49

Source: EHGA Europam, 2005

- Although production is small in Denmark, various medicinal and aromatic plants are being tested in Denmark. This suggests continued interest in herb growing.

Table 1.6 Medicinal and aromatic plants that currently are being tested in Denmark

experimentally in lab		commercial scale		pilot scale	
Amaranthus	Lovage	Basil	Caraway	Woad	Ginseng
Madder	Sea buckthorn	Chamomila	Dill		
Tagetes	Taxus	Echinacea	Fennel		
Thymus	Valerian	Hypericum	Melissa		
		Parsley	Sage		

Source: Ienica, 2004

- Denmark is the second leading EU importer of seaweed and algae. These products are mostly imported from outside the EU.
- No information is available on the production of other product groups.

Trends

- In contrast to earlier years, when price was the main marketing instrument, starting from 2005, premium brands performed very well. Another trend is the strong competition between branded labels vying for the favour of the consumer. Natural ingredients are one of the qualities appreciated by consumers and are being increasingly incorporated in products for marketing reasons.

Opportunities and threats

- Although the Danish cosmetics market is growing and natural ingredients are more often incorporated in products marketed in Denmark, the Danish market for cosmetics is to a large extent dependent on imports and production by multinationals. This means that growth in cosmetics consumption does not necessarily have to translate into increased industrial demand for natural ingredients.

Useful sources

- For more information on Denmark, please refer to the 2003 IENICA report, available on <http://www.ienica.net/>.
- Euromonitor (<http://www.euromonitor.com>) also provides information on the Danish market. Please keep in mind that only summaries are readily available, the reports themselves come at considerable cost, but do provide company names.
- Furthermore, Danish trade associations mentioned in section 6, and the Danish statistical agency (<http://www.dst.dk/HomeUK.aspx>) can be a source of information.

2. Trade: imports and exports

Imports

- Denmark is a small importer of vegetable oils, essential oils, and raw plant material, but plays a more important role for saps and extracts and colouring matter.
- Imports of vegetable oils and fats increased by 10.5% annually, amounting to € 85.9 million in 2004. Almost 74% was supplied by other EU countries, mainly Germany and The Netherlands. Developing countries accounted for 23% of imports, with important suppliers being Malaysia (11% of total imports), India (4%), Philippines (4%) and Indonesia (2%).
- Imports of vegetable saps and extracts amounted to € 69.1 million, signifying a 2.1% annual increase between 2000 and 2004. Developing countries supply 33% of this, with important exporters being Philippines (17% of imports), Chile (8%), South Korea (4%).
- Imports of essential oils amounted to € 5.7 million in 2004, signifying an annual decrease of 4.2% between 2000 and 2004. Only 11% is imported from developing countries, important ones being India (3% of imports), Sri Lanka (2%), and Thailand (2%).
- Raw plant material was imported with a value of € 16.9 million in 2004, signifying an decrease of 14.8% per year since 2000. Only 7% is imported from developing countries, the most important being Albania (2% of total imports) and China (2%).
- Imports of colouring matter increased by almost 3.7% annually between 2000 and 2004, amounting to € 16.9 million in 2004. Developing countries of significance were India (4% of imports), and Brazil (3%).

Exports

- The most noticeable development in Danish exports was the dramatic decline of vegetable saps and extracts exports between 2000 and 2004, averaging 45% annually. In 2000, Denmark took the second position in the EU concerning exports of this product group with exports amounting to € 225 million, whereas in 2004 exports had decreased to € 20 million. The reasons for this steep decline are unclear.
- Exports of vegetable oils are also decreasing by 10% annually to € 56 million in 2004.
- However, exports of colouring matter are increasing by 15.6% annually to € 26 million in 2004, making Denmark one of the EU's principal exporters of this product group.
- Exports of other product groups are negligible.

Opportunities and threats

- Imports of most product groups increased. This offers opportunities for suppliers of products belonging to those groups. The small share of imports from developing countries can be either a threat or an opportunity. It indicates a current preference for imports from more developed countries.
- However, the figures can also be translated into a more positive forecast: developing countries still have a large share to gain if Denmark follows import patterns of other EU countries, regarding imports from developing countries.

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 Denmark as mentioned in the survey covering the EU. The traditional approach of contacting traders, intermediate processing companies, agents and wholesalers (either with or without processing capacity, dependent on the product) remains the most 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.
- Most Danish cosmetics producers concern foreign multinationals, with their global sourcing methods typical for global players, therefore not necessarily adding to domestic industrial demand.
- Of the leading companies in the cosmetics market, only Blumøller (<http://www.blumoller.dk/>) is a local player. Urtekram manufacturers natural and organic cosmetics products (<http://www.urtekram.dk>); Aarhus oil (<http://www.aarhusunited.com/dk>) is a major trader and processor of vegetable oils and derivatives.

4. Prices

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

5. Market access requirements

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

6. Business practices

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

- A trade association of interest could be SPT; the Association of Danish Cosmetics, Toiletries, Soap and Detergent Industries representing manufacturers and suppliers of cosmetics, toiletries, soap and detergents for the consumer market as well as the professional market (<http://www.spt.dk>).
- No major trade fairs were encountered in Denmark, the same holds for cosmetic trade press.

This survey was compiled for CBI by ProFound – Advisers in Development
in collaboration with Andrew Jones and Klaus Dürbeck.
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