CBI MARKET SURVEY

THE MARKET FOR NATURAL INGREDIENTS FOR COSMETICS IN FINLAND

Publication date: September 2006

Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the market for natural ingredients for cosmetics in Finland. 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 of natural ingredients for cosmetics as well as for general ingredient needs of the cosmetics industry. Therefore, the sections on industrial demand 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 Finnish ingredients for cosmetics market/industry has been included.

1. Market description: industrial demand and production

Industrial demand

- The Finnish market for cosmetics was worth € 672 million in 2004 and had a share of 1.1% in the total EU25 market. Compared to the markets of other EU15 countries Finland ranked 13th. One factor, explaining the small size of the market considering the number of inhabitants, is the per capita consumption of € 129, a relatively low amount compared to the EU15 average of € 149.

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

2001	2002	2003	2004	Average annual change
592	618	641	672	4.3%

Source: Colipa (2006)

- The Finnish market grew at a steady annual rate of approximately 4% over the period 2001 to 2004. The next 3 years, growth is expected to be slightly slower mainly due to a slow-down in growth of disposable income. Another factor is the mature state of the market for regular products.
- However, there is still room for growth in niche markets. Sales of anti-ageing and firming body-care products are foreseen to grow fast.

Table 1.2 Finnish 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	%
0.03	4.2%	0.10	14.3%	0.16	23.7%	0.24	35.4%	0.15	22.5%

Source: Colipa (2006)

- No information is available as regards the consumption of natural cosmetics. However, among consumers, 'green ideas' as well as soft values seem to be gaining more support. Therefore, the markets for natural products is also increasing. However, the markets for such products in Finland are very limited in volume (Ienica, 2001).
- As regards the industrial demand for ingredients, the industrial demand of relevant vegetable oils is shown in table 1.1. 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 Finnish consumption of vegetable oils, 2001-2003, in 1,000 tonnes

	2001	2002	2003	Share of EU
Coconut oil	2,888	2,877	67	0.0%
Groundnut oil*	438	868	48	0.0%
Olive oil	889	1,010	1,372	0.1%
Palm kernel oil	5	46	35	0.0%
Palm Oil	10,289	12,148	13,727	0.4%
Sesameseed oil	15	10	20	0.1%
Soybean oil	24,196	145	287	0.0%
Sunflower seed oil	5,911	6,658	6,437	0.3%
Other vegetable oils	33,172	49,811	56,638	1.0%
vegetable oil total	**77,803**	**73,573**	**78,631**	**0.5%**

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

Production

- The Finnish market is to a large extent supplied from foreign production facilities of the major multinationals.
- There is an increased interest among consumers in buying products manufactured by Finnish companies. During 2004 a "key flag" campaign was held sponsored by the workers union. The aim of the campaign was to raise consumer awareness of the benefits of buying products manufactured by national companies. The campaign helps national companies to compete with the large multinationals. According to a survey, 20% of Finnish consumers preferred buying "key flag" products in September 2004. In that same year, leading companies on the Finnish market were L´Oréal Finland Oy, Lever Fabergé Oy and the Finnish Lumene group (http://www.lumenegroup.com/home/).
- Very little data is available regarding the production of natural ingredients for cosmetics. The only production figures reported to EHGA Europam of relevance to cosmetics is the cultivation of 17 hectares of garlic in 2005.
- The interest in caraway and other herb-like crops has been increasing. The cultivation area of caraway was the highest ever in the year 2003, consisting of about 7,000 hectares. These crops are used mainly for food production but there are many research projects surveying also the non-food applications. A developing project in the application of hemp seed oil for cosmetics is also ongoing.

Table 1.4 Medicinal and aromatic plants that currently are being tested in Finland

Experimentally in lab		Commercial scale		Pilot scale	
Allium	Basil	Amaranthus	Chrysanthemum	Angelica	Peppermint
Black currant	Caraway	Digitalis	Artemisia	Anethium	Valerian
Chamomila	Fennel	Madder	Sambucus		
Hypericum	Lovage	Taraxacum	Taxus		
Dill	Echinacea				
Marjoram	Melissa				
Parsley	Sage				
Thymus	Woad				

Source: Ienica (2004)

- Table 1.5 shows Finnish production of vegetable oils, which shows that Finland is a net exporter of vegetable oils and fats. However, 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 Finland. The same holds for medicinal and aromatic plants.
- There is no information available on production of the other product groups covered in this survey. However, concerning vegetable saps and extracts and essential oils, the company Aromtech is a relatively new player mainly focusing on domestic ingredients.

Table 1.5 Finnish production of vegetable oils, 2001-2003, in 1,000 tonnes

	2001	2002	2003	Share of EU
Coconut oil	0	0	0	0.0%
Groundnut oil*	not reported	not reported	not reported	
Olive oil	0	0	0	0.0%
Palm kernel oil	0	0	0	0.0%
Sesameseed oil	32,804	23,482	20,268	0.7%
Soybean oil	4,684	5,583	5,384	0.1%
Sunflower seed oil	77,228	69,777	71,472	1.5%
Other vegetable oils	114,716	98,842	97,124	0.7%
Vegetable oils total	**114,716**	**98,842**	**97,124**	**0.8%**

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 Finland.

Trends

- The use of natural ingredients is appreciated by consumers. In a period of increased price-competition due to economic slowdown, and increased penetration by private labels, major industry leaders are keen to exploit this.
- The Finnish market for cosmetics is a mature market. In an effort to maintain consumer interest, high and consolidate market shares established companies are spending large budgets on promotion of their products. Smaller companies have largely been pushed out of the market as a result. The number of remaining companies is relatively small and mainly includes multinationals.

Opportunities and threats

- The increasing cosmetics consumption and improving popularity of products with natural ingredients further improves the opportunities for suppliers of those natural ingredients. However, considering the dominance of foreign companies on the Finnish market, such increasing end-product demand does not necessarily have to translate into increasing industrial demand for ingredients. Nevertheless, the increasing preference for Finnish products might partly counter this.
- Consolidation of the market reduces the number of business partners seeking new suppliers. Moreover, the larger companies often require large-scale supplies, making it hard for new suppliers to enter the market.
- Also, increasing efforts to further domestic herb production could decrease the opportunities for developing countries if these prove competitive to foreign imports, for those products that can be grown in the cold to temperate Finnish climate.

Useful sources

- For more information on Finland, please refer to the 2003 IENICA update report or the original 2001 document, available on http://www.ienica.net/.
- Euromonitor (http://www.euromonitor.com) also provides information on the Finnish market. Please keep in mind that only summaries are readily available, the reports themselves come at considerable cost, but do provide company names.
- Furthermore, Finnish trade associations mentioned in section 6, and the Finnish statistical agency (http://www.stat.fi/index_en.html) can be a source of information.

2. Trade: imports and exports

Imports

- Finnish imports of natural ingredients for cosmetics are small.
- Imports of vegetable oils and fats increased by 3.5% annually between 2000 and 2004, amounting to € 23 million in 2004. Although 90% was supplied by other EU countries, mainly The Netherlands, Indonesia (4% of total imports), and Philippines (3%) play a significant role among developing countries.
- Imports of vegetable saps and extracts amounted to € 12.7 million, signifying a 6.4% annual increase between 2000 and 2004. Developing countries supply 31% of this, with leading exporters being Venezuela (7% of imports), Madagascar (6%) and India (5%).
- Imports of essential oils amounted to € 1.3 million in 2004, which is almost the same as in 2000. Only 10% is imported from developing countries, with India accounting for almost all imports from developing countries.
- Raw plant material was imported with a value of € 1.9 million in 2004, signifying an increase of 6.5% per year since 2000. 44% is imported from developing countries. However, Sudan alone accounts for 43% of total imports.
- Imports of colouring matter increased by 4.5% annually between 2000 and 2004, amounting to € 1.7 million in 2004. Almost all these imports originate in other EU countries, especially Denmark. 1% originates in India.

Exports

- Finland is a very small exporter of natural ingredients for cosmetics, although all product groups (apart from vegetable oils) are increasing.
- Exports of saps and extracts amounted to € 2 million in 2004, with an average growth of 23.6% in the preceding 4 years.

Opportunities and threats

- Although Finnish imports of natural ingredients are mostly increasing, the absolute amounts remain small. Consequently, opportunities on the Finnish market are restricted to small increases of supplies.

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 Finland as mentioned in the survey covering the EU. The traditional approach of contacting traders, intermediate processing companies, agents and wholesalers (either with or without processing capacity, dependent on the product) remains the most importance method.
- However, some end-industries can also be approached, as they also import directly from developing countries. This is especially the case for specialist niche players such as natural or organic producers.
- Large foreign companies dominate the Finnish market, with the Lumene group the only major national player. Other Finnish cosmetics producers can be encountered at http://www.teknokem.fi/english/members/index.html.
- Natural ingredient producers include Aromtech (http://www.aromtech.com/, an extractor of mainly domestic plant material). Of interest are further Elixi Oil, which processes oils for pharmaceutical and cosmetics use (http://www.elixioil.fi/). The 2001 Ienica rapport offers a more elaborate listing of smaller processing companies.

4. Prices

- For prices of ingredients, please refer to the CBI survey covering the EU, as the indications of prices given there do not differ from those in Finland. 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.
- The Finnish Cosmetic, Toiletry and Detergent Association could be of use (http://www.teknokem.fi).
- The Health and Beauty Fair in Helsinki has established an international reputation as one of the world's most important and fastest growing exhibitions of the beauty industry (for more information please contact the organizer: the Finnish Fair Corporation, http://www.finnexpo.fi).
- A Finnish cosmetics magazine that could be of interest, although not particularly aimed at the practitioners in the industry, is Kauneus & Terveys, a women's magazine covering beauty, health, fashion, food, human relationships and exercise.

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