

THE MARKET FOR NATURAL INGREDIENTS FOR COSMETICS IN GERMANY

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Report summary

This CBI market survey discusses, amongst others, the following highlights for the market for natural ingredients for cosmetics in Germany:

- The limited growth in the German market for cosmetics will come from specialist products. Trends in natural cosmetics are mainly in anti-allergic ingredients and products, new functional ingredients of plant origin, organic plant ingredients and labelling with "BDIH Natural Cosmetic certification" (BDIH, 2006).
- German imports of natural ingredients for cosmetics are either stagnant or growing slowly. However, the country is the largest importer for most product groups.
- Product groups where developing countries play a large role, such as vegetable oils, fats & waxes vegetable saps & extracts, raw plant material, are performing well. Only colouring matter showed a decline among the sectors in which developing countries play a role. Germany remains the most important market for developing country producers, also because of its important trading function within the EU.

This survey provides exporters of natural ingredients for cosmetics with sector-specific market information related to gaining access to Germany. By focusing on a specific country, this survey provides additional information, complementary to the more general information and data provided in the CBI market survey 'The market for natural ingredients for cosmetics in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.nl/marketinfo>.

1. Market description: industrial demand and production

Industrial demand

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 industrial demand and production will also discuss the cosmetics market and industry which can function as an indicator for industrial demand for natural ingredients for cosmetics. Where available, specific information on the German ingredients for cosmetics market/industry has been included.

Cosmetics consumption

Germany is the largest market in the EU. However, per capita consumption is well below the EU average, at € 134 compared to € 149 for the EU. The German market showed a slight decrease in sales, due to the overall unfavourable economic situation: low GDP growth, high and increasing unemployment and continual financial problems in the social security system. This has again led to a decrease of private consumption and increased price competition in the non-food discounter channel and the largest German chain drugstore markets. The highest market decrease was measured for decorative cosmetics, followed by perfumes/fragrances and men's cosmetics (IKW 2005).

Private labels are also making inroads in all mass trade classes, exerting further pressure on prices. In some categories like shampoos, private labels contribute as much as 30% of the segment volume. Furthermore, Germany's ageing population has opened up a new market for anti-ageing products.

Table 1.1 German market for personal care products (at retail sales prices) in € million

Product categories	2001	2003	2005	2001-2005
	In € mln	In € mln	In € mln	% Change
Hair care	2,839	2,862	2,812	-1.0%
Skin care	2,332	2,459	2,491	6.8%
Decorative cosmetics	1,281	1,286	1,180	-7.9%
Oral hygiene	1,192	1,156	1,212	1.7%
Ladies' perfumes/fragrances	787	764	741	-5.8%
Men's cosmetics	669	644	636	-4.9%
Bath & shower products	754	735	724	-4.0%
Deodorants	675	680	668	-1.0%
Soaps & syndets	221	214	211	-4.5%
Other personal care products *)	385	431	426	10.6%
Total market	11,135	11,231	11,101	-0.3%

Source: IKW (2005)

Natural cosmetics consumption

"Wellness" influenced consumer spending in 2005. Despite an unwillingness to part with their savings, consumers were happy to spend money on products perceived to enhance their "wellness" and health. Health and wellness related products are no longer niches, but have become mainstream and entered almost all cosmetics and toiletries sectors. They could be the key for growth, or at least for maintaining the current level of sales. Natural and organic cosmetics are profiting from this trend.

The UK and Germany are the largest markets for natural cosmetics (Euromonitor, 2006). Germany is also the most advanced of the European markets, with the broadest product range of natural cosmetics. There is no category of cosmetic without natural alternatives, in contrast to many other European countries.

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. Interesting is also the entry of conventional companies in the market. A survey by a German monthly magazine revealed in 2004 that 50% of German women prefer natural cosmetics and believe that they already use them, but this is attributed to misleading advertising (BDiH, 2004).

The sales of natural personal care products in the German organic retail trade until mid 2005 averaged almost 18 per cent more than the previous year. Especially popular are the article groups hair care, body care, shower and bath products. Market insiders still see care products for mature skin promising anti-aging effects right at the top of the ranking list of product trends. Body care products with unusual scents and spa articles are also particularly successful. A "core group" of some 5.8 million women emerged from the various consumers, being all especially receptive to natural personal care products and representing potential users. Leading manufacturers of real natural personal care products still expect a steady increase in turnover of between five and six per cent a year (Synergie Natural Cosmetics Report, 2004).

Natural ingredients for cosmetics

Interesting to note is the very high penetration of fragrances in Germany with 83% of German men using aftershave or male fragrance, followed by the British (71%) (Mintel, 2005).

As can be seen in table 1.2, Germany is a large consumer of coconut, palm kernel oil and sesame seed oil. The country is also the largest consumer of vegetable oils in total. Please

note that many of these products, especially palm oil, soybean oil and sunflower oil are mass market products, of which only a small part ends up in cosmetics. Because of these large volumes they are difficult markets for smaller producers to enter.

Table 1.2 German consumption (domestic supply) of vegetable oils, 2001-2003, in 1,000 tonnes

	2001	2002	2003	Share of EU
Coconut oil	431,510	230,533	298,885	45.7%
Groundnut oil	17,131	15,161	12,248	6.9%
Olive oil	35,891	40,251	38,096	1.8%
Palm kernel oil	192,047	290,954	286,389	44.6%
Palm Oil	422,386	504,964	450,592	13.5%
Sesame seed oil	6,757	6,915	7,611	26.2%
Soybean oil	345,964	353,106	403,653	18.1%
Sunflower seed oil	254,000	237,000	228,000	9.1%
<i>Other vegetable oils</i>	<i>1,199,508</i>	<i>1,321,967</i>	<i>1,668,461</i>	<i>30.5%</i>
Vegetable oils total	2,905,194	3,000,851	3,393,935	19.8%

Source: FAO (2005)

*The use of groundnut oil in cosmetics is decreasing due to the allergic properties the product has.

In Germany, colorant plant cultivation, the processing industry and the market for natural colours almost completely broke down due to chemical substitution. In recent years, however, a comeback of using natural pigments occurred, mainly due to the increased environmental awareness of the German population. However, at present the cultivation of dyeing plants is hard to find in Germany, so that the demand is almost exclusively covered by imports. In the Lenica report mentions considerable quality shortages in the field of raw material contamination by fertiliser and crop-protection residues; the demand for organic natural colorants is increasing.

The demand for plant material, and/or its essences and extracts, has continuously increased in recent years. As a result, the cultivation of medicinal and aromatic plants also underwent a positive development. However, most of the increasing demand for raw plant material and plant essences is still covered by imports (90%) (Lenica, 2003).

Market segmentation

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 functionality, safety and meeting regulations.

Secondly, the market for natural cosmetic ingredients can be divided into a segment for the processing industry and the end-product manufacturers. In the processing industry of herbal extraction houses, milling operations, essential oil distillers, farms, nut and seed oil producers and wholesale distributors with value-add capabilities are all important. The German segment for the processing industry will be of particular importance, due to the large natural ingredients industry in the country.

Thirdly, the market is also segmented according to type of ingredient such as essential oils, vegetable oils and plant extracts. Although the country is the main market for all products considered in this survey except for essential oils, raw plant material and saps and extracts are segments of particular importance in Germany. German traders and processing industries are a very interesting destination for exporters of these products.

Trends in industrial demand

Although an economic recovery is expected in Germany, the coming years will witness limited growth in sales of cosmetics and toiletries, which should also translate in limited increases in industrial demand for ingredients. Reasons for this slow growth include the mature cosmetics and toiletries market, as well as an increased consumer caution in a time of economic

uncertainty. Growth will come from specialist products as well as private label brands, and will be fuelled by the ongoing trends in the market, like health and wellness, convenience and the growing importance of one's physical appearance (Euromonitor, 2005). The problem on the German market continued to be sustainability. While new launches flooded the market, very few remained on the shelf. Consumers are used to innovative products and expect to see new products on the shelf. However, this does not expand the market (Colipa, 2006).

Value-added products, especially those promoting "wellness and beauty", natural products and private label brands will grow. These trends are especially strong in Germany where the population is focussed on organic and natural products and nature conservation. This growth of natural cosmetics consumption should, considering the large domestic cosmetics industry, be conducive towards further enhancing industrial demand for natural ingredients.

Production

Total production

Cosmetics production

In 2003, the German cosmetic industry had a total sales volume of € 18.4 billion at retail sales prices, of which a substantial part concerns exports (IKW, 2006). Production of cosmetics is increasing in Germany, with expanding exports being the main market driver.

According to the German natural personal care companies, market developments remained positive. Growth is mainly in the two-digit range, while growth figures of over 30% are also reported, especially for exports (Vivaness, 2006).

Table 1.3 Germany's top beauty companies in 2004, in € mln.

Company name	Sales in € mln	World ranking
Beiersdorf AG	3,459	7
Henkel KGAA	2,094	14
Vorwerk @ Co. KG	390	39
Maxim Markenprodukte GMBH & Co. KG	135	62
Maurer + Wirtz GMBH & Co. KG	117	69
Dr. Babor GMBH & Co. KG	94	81
Artdeco	75	86
Friabad	68	88
Dr. Kurt Wolff GMBH & CO. KG	54	96
Marbert Holding AG	53	97

Source: WWD Beauty 100 (2005)

Ingredients production

The local cultivation of herbs used in cosmetics is increasing in Germany to meet increasing domestic and export demand for such products. Table 1.4 shows the main herbs cultivated in Germany.

Other herbs are Blackcurrant, Globe artichoke, Marigold, Leopard's bane, Evening primrose, Yarrow, Hemp, Angelica, Chinese rhubarb, Rosemary, Hyssop, Heart' s ease, Feverfew, Borage, Garlic, Lavender and Apothecary's rose (EHGA Europam, 2005). Not only substantial cultivation occurs in Germany, there is also still considerable wild-collection of plants. The European processing industry of medicinal and aromatic plants, such as extractors, is also for a substantial part located in Germany. Please find examples of such companies in Section 3 of this survey.

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

Scientific name	Common name	Total area	Organic area	Nr. of growers
<i>Chamomilla recutita</i>	German chamomile	978	100	20
<i>Origanum marjorana</i>	Marjoram	529	15	20
<i>Linum usitatissimum</i>	Flaxseed	214	100	50
<i>Mentha spp</i>	Mint	271	20	30
<i>Hippophae rhamnoides</i>	Sea Buckthorn	206	20	50
<i>Sambucus nigra</i>	Common elder	170	30	40
<i>Ocimum basilicum</i>	Basil	157	10	30
<i>Hypericum perforatum</i>	St Johns Wort	106	20	20
<i>Coriandrum sativum</i>	Coriander	96	30	15
<i>Rosa sp</i>	Rose fruits	58	10	10
<i>Anisum vulgare</i>	Aniseed	14	50	4
<i>Salvia officinalis</i>	Sage	35	25	7
<i>Melissa officinalis</i>	Lemon balm	37	15	10
<i>Levisticum officinalis</i>	Lovage	40	10	10
<i>Other herbs</i>		157	42	590
Total		3,070	497	375

Source: EHGA Europam (2005)

Germany is the largest producer of vegetable oils in the European Union, accounting for 22% of the EU total. Germany is especially dominant in the production of coconut oil and sesame seed oil, but also in the large product group soybean oil. 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 Germany.

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

	2001	2002	2003	Share of EU
Coconut oil	16,900	11,300	11,000	55.2%
Groundnut oil	not reported	not reported	not reported	n.a.
Palm kernel oil	160	135	80	6.5%
Sesame seed oil	7,511	7,256	7,411	29.1%
Soybean oil	803,004	769,400	728,700	25.2%
Sunflower seed oil	143,026	81,900	98,000	1.8%
<i>Other vegetable oils</i>	<i>1,947,279</i>	<i>2,035,642</i>	<i>1,991,342</i>	<i>42.2%</i>
vegetable oil total	2,917,880	2,905,633	2,836,533	21.7%

Source: FAO (2005)

The production of natural colorants and dyeing plants in Germany is also increasing domestically, as well as the domestic processing capacity (Ienica, 2003).

Major players

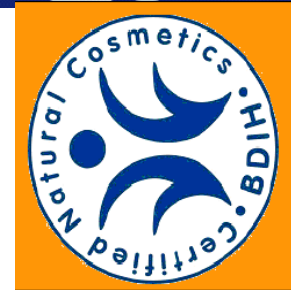
The major German cosmetic companies are shown in table 1.3. These companies are increasingly using natural ingredients in their cosmetic products. Contact information for these and natural ingredient companies, as well as companies from other trade channels such as raw ingredients traders and processors can be found in section 3 of this survey. Examples of large players in Germany are K-W Pfannenschmidt in Hamburg, Gehrlicher and Henry Lamotte.

Trends in production

An important trend in Germany is the increasing certification of natural cosmetic products under the BDIH certificate. The certification process began in 2000 and up to now more than 60 firms have applied the certification for Certified Natural Cosmetics of more than 2,500 products (BDIH). Registered Raw Material for BDIH Certified Natural Cosmetics enjoys easy B2B advertising and ensured usability in certified natural cosmetics. For more information, please refer to <http://www.kontrollierte-naturkosmetik.de>. This development is also interesting for developing countries, making organic certification increasingly important for natural ingredients, and the decreasing opportunities for non-certified products. Another interesting

presentation on the subject can be found at http://www.in-cosmetics.com/2007/files/pres_round_table_BDIH.pdf.

Also interesting for developing country suppliers of plant materials to Germany are development in new cultivation experiments in Germany. These are mainly for medicinal plants, but also include some aromatic plants. Hypericum is still in a pilot scale, and chrysanthemum, sage and lovage are still produced in laboratories. Species such as peppermint on a commercial scale are. For a full list, please refer to the 2000 Ienica report on Europe.



Next to these species, several species were also experimented with for the production of natural colorants. Of the 53 potential dyeing plant species, the test series showed that madder, woad and dyer's weld (*Reseda luteola*) were particularly promising and these products are likely to be taken into commercial cultivation in the future (Ienica, 2003).

Opportunities and threats

Added-value cosmetic products, especially those promoting "wellness and beauty", natural products and private label brands will expand their market share most in Germany. Considering the large cosmetics industry in the country, this increased consumption is also likely to translate into increased industrial demand for natural ingredients for cosmetics. Moreover, exports of cosmetics products by from Germany is also increasing. Interesting natural ingredients are anti-allergic ingredients and products, new functional ingredients of plant origin and organic plant ingredients. Certification under the "BDIH Natural Cosmetic certification" is increasingly popular (BDIH, 2006). Both of the above trends offer opportunities to developing country exporters.

However, increased efforts to broaden and promote local production may prove to be a threat to developing country producers, if the local production is shown to have a competitive advantage over crops currently imported into Germany. However, given the temperate climate of Germany there is more concern over increased competition with crops grown in temperate climates.

In general, however, as a dominant country in the trade in raw plant materials and extracts, and a major producer of semi-processed ingredients, Germany is a very interesting market for suppliers of natural ingredients for cosmetics.

Useful sources

Interesting sources for obtaining more information are firstly encountered in CBI the survey covering the EU. However, focussing on Germany, the 2003 Ienica provides valuable information on vegetable oil production and particularly crops such as aromatic plants and dyeing plants. This report is available at <http://www.ienica.net>. IKW (<http://www.ikw.org/>) offers information on the German market for pharmaceutical end market. Furthermore EHGA Europam (<http://www.europam.net/>) offers information on the cultivation of herbs. <http://www.floraweb.de/> provides information in German on Germany. Organisations mentioned in section 6 of this survey can also serve as information sources.

2. Trade: imports and exports

Imports

Among the main importing EU countries, Germany takes a dominant position in the overall imports of the following product groups falling under natural ingredients for cosmetics:

- Vegetable oils, fats & waxes,
- Vegetable saps & extracts,
- Raw plant material,
- Colouring matter.

Imports of essential oils increased considerably between 2000 and 2004, by 2.5% annually. Imports of the other products remained more or less stable during the same period.

The small products peanut oil (-13.% per year) and waxes (-4% per year) are not performing well in the product group vegetable oils, fats and waxes. The largest product considered, coconut oil, is stable, while another important product group animal or vegetable fats and oil, hydrogenated, interesterified, is growing by 10% per year.

Essential oils showing considerable decreases are bergamot and lemon oil. Orange oil, lime oil and especially vetiver oil are performing well. The market share of developing countries for vetiver oil is increasing rapidly. However it is a relatively small product, with imports amounting to € 690 thousand in 2004.

Table 2.1 Leading suppliers of ingredients for cosmetics to Germany (share in imported value, 2004)

Product	Total 2000 € 1,000	Total 2004 € 1,000	Leading Suppliers in 2004 (share in %)	Share in German imports
Vegetable oils, fats & waxes	693,390	717,759	Intra-EU: The Netherlands (43%), Belgium (5%), Italy (3%), France (3%) Extra EU excl DC*: USA (2%), Singapore (2%) DC*: Indonesia (20%), Philippines (9%), India (4%)	61% 2% 37%
Vegetable saps & extracts	232,700	236,295	Intra-EU: France (17%), Denmark (11%), Ireland (6%), Italy (6%), Extra EU excl DC*: USA (8%), Switzerland (8%) DC*: India (10%), Sudan (3%)	52% 18% 30%
Essential oils & oleoresins	88,427	97,273	Intra-EU: France (21%), The Netherlands (9%), United Kingdom (6%), Italy (6%) Extra EU excl DC*: USA (10%) DC*: India (8%), China (8%)	48% 19% 33%
Raw plant material	101,291	97,921	Intra-EU: Poland (9%), France (5%) Extra EU excl DC*: USA (9%), Bulgaria (6%) DC*: China (8%), Egypt (8%), Chile (7%)	21% 27% 52%
Colouring matter	33,274	36,134	Intra-EU: The Netherlands (22%), Spain (13%), France (6%), Ireland (4%) Extra EU excl DC*: USA (5%) DC*: Peru (10%), India (6%)	60% 14% 26%

Source: Eurostat (2005)

*DCs: Developing countries

The leading suppliers of natural ingredients to Germany are other EU countries, often re-exporting ingredients to Germany. The Netherlands is by far the leading exporter of respectively vegetable oils, fats & waxes and colouring matter to Germany, with shares of 43 and 22% in 2004. France is the main supplying country of vegetable saps & extracts and essential oils and oleoresins to Germany, and Poland of raw plant material.

Germany is a leading importer of natural ingredients from developing, mainly Asian, countries. Indonesia, Philippines and India are important suppliers of vegetable oils, such as coconut oil.

Interesting to note is that Germany takes an important position in the trade between East European countries producing natural ingredients - especially raw plant material - and processing industries in other European countries or Germany itself.

Exports

Total German exports of the selected product groups in 2004 amounted to € 775 million. Germany ranks second among the leading EU exporters of natural ingredients. However, the leading exporter, The Netherlands, plays a large role mainly because of its strong position in vegetable oils.

Leading exported product groups are vegetable oils, fats and waxes and vegetable saps and extracts, respectively showing an increase of 7% and 4.4%% per year between 2000 and 2004. In that year, total exports amounted to € 354 million for vegetable oils, fats and waxes and € 272 for saps and extracts. Although German exports of essential oils are relatively limited, the product group did show an 8% increase per year between 2000 and 2004, amounting to € 47 million. Growth was also significant for colouring matter, showing a 9% annual increase to € 32 million in 2004.

The destinations of German export of natural ingredients for cosmetics are often European countries (United Kingdom, The Netherlands, France and Switzerland), but also countries such as Russia and the USA. A substantial part of imports, especially of vegetable saps and extracts and raw plant material, is re-exported to other EU countries.

Opportunities and threats

Value-added products, especially those promoting "wellness and beauty", natural cosmetics and private label brands will grow. Considering the large domestic industry which also shows growing exports, this should translate into increased demand for natural ingredients.

German imports of natural ingredients for cosmetics are either stagnant or slowly growing. The country is the largest importer for most product groups. Product groups where developing countries play a large role, such as vegetable oils, fats and waxes, vegetable saps & extracts, raw plant material are performing well. Only colouring matter showed a decline among the sectors where developing countries play a role.

Therefore, both industrial demand, production and trade figures are reasonably positive on the German market. Germany remains the most important market for developing country producers also because of its important trading function within the EU.

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

Trade channels

Germany is the principal market for all product groups, except for essential oils. Especially in raw plant materials and vegetable saps and extracts, the German ingredients sector has historically played a dominant role in the EU. In general, the same trade channels apply to Germany as in the rest of the EU. The traditional approach of contacting traders, agents or wholesalers (either with or without processing capacity, dependent on the product), but also intermediate processing companies such as fragrance houses, refining companies and extractors remains the most important method. Several agents are involved in the trade in

Germany. Most are active on a global scale, although some specialise in specific countries. In Germany, the mainstream bulk trade in raw plant material is dominated by about 20 wholesalers, with further consolidation of the trade in the past few years. 95% of plants sold by German wholesalers is sold as dried plants and plant parts, with the remaining 5% comprised of fresh plant material or plants preserved in alcohol. Overall volumes imported by individual traders range from 1,000 tonnes to 30,000 tonnes annually. On average, each company trades in 400-500 species.

There is also a large number of distributors representing well known ingredient suppliers/manufacturers. These distributors may also have their own specialised lines of ingredients. Otherwise these distributors have their own principals with which they have to deal and most do not actively look for other suppliers, especially of the same ingredients. However, it is useful to investigate which suppliers/producers supply these distributors. Internet research and trade fair visits facilitate this.

However, some end-industries can also be approached, as they also import directly from developing countries. This is particularly the case for specialist niche players such as natural or organic producers. Generally speaking, manufacturers will buy from traders and distributors to keep their supplier base narrow. Buying directly from developing countries is mainly done by the traders and agents. Some branded goods will be made under licence by other companies.

Regarding processing, it needs to be stated that for certain ingredients value addition takes place in the EU e.g. vegetable oils where manufacturers generally prefer to use refined oils. Refining oils outside the EU is economically challenging. On the other hand, essential oils need little or no further processing, examples of processing include breaking down into smaller units, re-packing and labelling. Regarding plants extracts, although extraction can take place in Europe, the higher value of the goods may make extraction outside the EU more economically feasible. Supply scenarios like this also determine the trade structure. E.g. manufacturers do not want to buy one container of unrefined vegetable oil – they might need 200kg refined each week.

For information on trade structure, please refer to the CBI survey covering the EU, in which specific approaches for new ingredients are also included.

The German cosmetic market is fragmented, with no company commanding a market share of over 10%, while all major players except Gillette are seeing increases in their shares. Interesting companies currently active in production of cosmetic products, processing or ingredients and trade of ingredients are listed in the lower rows of the below box.

Below, we give a list of the most important cosmetic companies, as well as interesting companies focussing on natural cosmetics production, ingredients processing or production and ingredients trade.

Company name and website	Details
Leading cosmetics companies	
• Beiersdorf AG	http://www.beiersdorf.com/ also local sourcing in developing countries.
• Henkel KGAA	http://www.henkel.com also local sourcing in developing countries.
• Vorwerk @ Co. KG	http://www.thermomix.com Represented in the cosmetics sector by Jafra Cosmetics
• Maxim Markenprodukte GMBH & Co. KG	http://www.maxim-markenprodukte.de/ Site not ready yet
• Maurer + Wirtz GMBH & Co. KG	http://www.m-w.de/english/index.html Autonomous subsidiary of the Dalli Group
• Dr. Babor GMBH & Co. KG	http://www.babor.de/ Acquires its own active ingredients through scientific production processes

• Artdeco	http://www.artdeco.de/
• Fribad	http://www.fribad.de/
• Dr. Kurt Wolff GMBH & CO. KG	http://www.alpecin.de/en/index.php Specialised in hair care products
• Marbert Holding AG	http://www.marbert.de/ Part of the Borghetti-Agostini Group
Company name and website	Details
Companies focussing on natural products	
• Aroma-Zentrum-Alsfeld	http://www.aroma-zentrum.de Organic essential oils.
• Drom Fragrances International	http://www.drom.com Fragrances production
• Düllberg Konzentra	http://www.duellberg-konzentra.de Production of essential oils, perfume
• ERAMEX Aromatics GmbH	http://www.eramex.de/english/index.htm Trade in raw materials and essential oils for flavours, fragrances, cosmetics and pharmaceuticals.
• Gehrlicher	http://www.gehrlicher.de/ Production of vegetable extracts
• Gustav Heess GmbH	http://www.heess.de Vegetable oils, fats, etc.
• Hansen & Rosenthal	http://www.hansen-rosenthal.de Production of vaseline, specialties and raw material
• Henry Lamotte GmbH	http://www.lamotte.de Trade and production of oils, also organic
• Paninkret Chem.-Pharm. Vertriebsges.mBh	http://www.paninkret.de/cms Producer of plant extracts. No local sourcing in developing countries.
• Pfannenschmidt	http://www.pfannenschmidt.de/ ingredients trade and processing, mostly saps and extracts.
• Rolf M. Wunder & Co	http://www.wunderco.com Trader in fine chemicals and raw materials
• Sensient GmbH	http://www.essentialoils.de Trader and processing of essential oils, oleoresins, aroma, chemicals, spice products and organic oils

Sources: Euromonitor (2006), ProFound's and consultants' sources

Trends

Germany, with strong values such as 'natural' and 'environment', remains an important opening for developing country producers of natural ingredients for cosmetics.

As the European cosmetic market is consolidating, the number of powerful players is decreasing and the remaining companies are growing in size. On one side, this increases the market power of these players in negotiations with their suppliers. Moreover, these players are more demanding concerning services along with supply, i.e. product documentation, and want to limit the number of suppliers they work with. On the other side the European companies are realising that special attention needs to be given to the management of a sustainable supply chain to safeguard the investments in the earlier development of their own consumer product portfolio. At the same time ongoing innovation in new cosmetic natural ingredients requires a build up of new supply chains in order to be sustainable (IENICA EU report, 2005).

However, small players will still fulfil an important role, filling the niches the large companies do not cater for. This will be especially the case for specialist products. Natural cosmetics and organic ingredients are examples of such niches. Many of these companies tend to be supplied by specialised processors or traders. Several of the traders above have developed organic lines in addition to their conventional quality ingredient portfolio. Direct sourcing from developing countries is also more common in this specialist channel.

It is noted in the survey focussing on the EU that several conventional multinationals have also (re-)entered the organic and natural ingredient markets.

An important trend, prevalent throughout the European cosmetic and ingredients sector, concerns more direct sourcing. Due to GMP requirements, this is increasingly a must for German producers.

Useful sources

For general information, please refer to Chapter 8 of the survey covering the EU. Two examples of interesting sites to visit for additional information, especially current trade leads and companies, are the following market places or buyer guides: <http://www.ingridnet.com> and <http://www.herbworld.com>. For companies in Germany active in BDIH's natural cosmetics certification scheme, please refer to http://www.kontrollierte-naturkosmetik.de/gesamt_en.htm. For organic trade leads, <http://www.greentrade.net> is a useful marketplace with different sections for cosmetic products.

4. Prices and margins

Prices and margins

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 Germany. Actual prices are dependent on negotiation with the companies. 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.

Useful sources

Interesting sources of price information are the trade magazine Public Ledger (<http://www.public-ledger.com>) and ITC market news service (MNS) (<http://www.intracen.org>).

5. Market access requirements

As a manufacturer in a developing country preparing to access Germany, you should be aware of the market access requirements of your trading partners and the German 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

Legislative requirements

National legislation in EU countries is compulsory for all products traded within the country concerned. 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 your market sector, and the EU country of your interest in the category search, click on the search button and click on legislative requirements for an overview of all documents on legislation in your country of interest.

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 your market sector and the EU country of your interest 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 in your country of interest.

Packaging, marking and labelling

For general information on packaging, refer to the survey covering the EU. You can download information on requirements on packaging, marking and labelling in specific EU markets from <http://www.cbi.nl/marketinfo>.

Tariffs and quota

For information on import tariffs please refer to the survey covering the EU. The general VAT rate in Germany is 16% and this also applies to cosmetic products. However, the VAT rate in Germany will be increased to 19% in January 2007.

Useful sources

- 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 general information on business practices exporters should refer to the survey covering the EU, CBI's Export Planner and CBI's Image Builder manual.

Selecting a suitable trading partner

Finding a trade partner in Germany should not deviate from the general EU method as described in the survey covering the EU. German importers search for new suppliers in developing countries by visiting the country of interest, through recommendations and a limited number also through trade fairs. The most common ways for developing country exporters approaching German customers are through direct (e)mail, personal visits as follow up, inviting potential German customers to visit them in their countries, building a network and visiting or participating in international trade fairs.

After obtaining contacts, evaluating potential trade partners should be done according to criteria such as information quality, geographic coverage, the kind of trade relation the partner is interested in, the position of the partner and the financial status and credibility.

Coming to terms with your trade partner

As in the rest of Europe, both general offers and specific are common in Germany. Therefore, common practices as detailed in the survey covering the EU apply. When establishing an overseas price for your products, factors to take into consideration are: 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. Conformity to market prices depends on the product's novelty. How you price your product demands a good deal of thought and effort, since it directly affects your ability to make a profit.

The most commonly used contract terms in the market for natural ingredients for cosmetics are documents against payments (D/P), by which the buyer takes possession of the goods only after payment, and payments in advance, which are most desirable from the seller's standpoint, but also has drawbacks. Most initial export shipments are partly pre-paid before the natural ingredients are shipped. In case of co-operation agreements with overseas companies, payment terms could also include periodical payments.

Export terms of sale determine what costs are covered in the price of the cargo, and at what point ownership transfers to the buyer and at what point responsibility for the cargo is transferred. The most commonly used term of sale 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. Less frequent are CFR (Cost and Freight) and CIF (Cost, Insurance, Freight). Special attention should also be given to contract fulfilment

in reference to contingencies that might occur while the sale order is being processed, shipped etc.

Cultural differences

A profound knowledge of the German business culture is one of the main keys to a durable relationship. In spite of all modern communication tools, the personal relationship with a trading partner often decides a durable co-operation. The general business culture of Germany is described below.

- Germans are formal and never use first names.
- They like to be addressed by Herr (Mr.), Frau (Mrs) or Fraulein (Ms) and their last names; important is to check beforehand whether your counterpart has a title: in this case titles should be used also: Herr Doktor Schmidt or Frau Ingenieurin Albrecht.
- German purchasers like to come quickly to the point and are well prepared for the meeting; as they want to eliminate uncertainties as much as possible so they will ask a lot of details.
- Offer your German counterpart 'certainties': assurances, guarantees, references to check you and your company out; company background, expertise and track record are very important elements for Germans in their search for certainties.
- Dress correctly and formally; avoid flashy and contrasting colours and expensive watches, rings, bracelets, etc.
- Come strictly on time; German purchasers usually have very tight schedules and many meetings on one day; they usually inform you how long the meeting will last and the points they want to cover.
- They require detailed planning and concrete arrangements and expect you to adhere to them; prepare yourself in detail for this meeting: mistakes or inability to reply to questions will not be tolerated and mean the end of a possible business relationship.
- Try to make friends with the secretaries; they have a lot of influence in scheduling the appointments for their bosses; here again, never address them by their first names.

Internet provides many sources on business practices and culture, such as <http://www.communicaid.com/germany-business-culture.asp>. Please keep in mind that the above concerns general remarks. Therefore, when conducting business use your intuition and understanding attitude.

Sales promotion

Common practices of trade promotion should not differ considerably from other European countries. Although most German are able to speak English, it is of course preferable if export/sales personnel of your company is capable to speak some German. In general good care should be taken of existing contacts, applying prompt, constant and reliable communication. Letters of inquiry should always be replied to. An essential tool used in sales is a detailed and up-to-date customer database.

Exporters should realise that the Internet is an important medium in sourcing of raw materials for herbal products. A number of users/traders of natural ingredients stated that they use the Internet in order to find new suppliers.

In the case of ingredients for cosmetics, many German importers are not in favour of trade fairs as a means to promote suppliers from developing countries. However, visiting or even participating in one can be an efficient tool for communicating with prospective customers. It can also be a valuable source of information on market developments, production techniques and interesting varieties.

Assistance with market entry can also be sought through local business support organisations, import promotion organisations such as CBI and branch organisations focussing on the pharmaceutical, herbal medicine and natural ingredients sectors.

- German **trade associations** that could be of interest are IKW; the German Cosmetic, Toiletry, Perfumery and Detergent Association (<http://www.ikw.org>), GROFOR; the German Association of Wholesale Traders in Oils, Fats and Oil Raw Materials (<http://www.grofor.de>) and BDIH; the Bundesverband Deutscher Industrie- und Handelsunternehmen (<http://www.bdi.de>).
- Many **trade fairs** are held in Germany each year. The biggest cosmetic trade fairs are Cosmetica Berlin (<http://www.ki-online.de>) and Beauty International in Düsseldorf (<http://www.messe-duesseldorf.de>). Regarding organic natural ingredients, BioFach (<http://www.biofach.de>) is an interesting trade fair, increasingly paying attention to natural ingredients.
- COSSMA is a very valuable, innovative, three-lingual **magazine**, giving news from the areas of perfumery and cosmetics, aerosol and spray technology and marketing and marketing surveys (<http://www.cossma.com>). It is published by the Health and Beauty Group, an international media company covering more than 30 professional magazines and trade fairs in 14 countries. The headquarters is located in Karlsruhe (<http://www.health-beauty.com>).

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