

CBI MARKET SURVEY

THE MARKET FOR NATURAL INGREDIENTS FOR COSMETICS
IN HUNGARY

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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 Hungary. 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 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 Hungarian market for ingredients for cosmetics market/industry has been included.

1. Market description: industrial demand and production**Industrial demand**

- Hungary is the third largest market of the accession countries, with total sales of € 4.2 billion in 2004. Moreover, with 7.5% growth between 2003 and 2004, it was the fastest growing market among the accession countries.
- The fastest growing sectors are skin care (+12.2%) and depilatories (+10.3%), an emerging product group. Cosmetics and toiletries is characterised by increasing product saturation and greater expenditure on advertising. Promotions led to price drops encouraging volume sales. However, this negatively impacted value sales (Colipa, 2006).
- As regards the consumption of natural cosmetics, no information is available.
- As regards the consumption of natural ingredients, the consumption 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, these markets are very difficult to enter for smaller producers.

Table 1.1 Hungarian consumption of vegetable oils, 2001-2003, in 1,000 tonnes

	2001	2002	2003	Share of EU
Coconut oil	1,654	2,022	2,207	0.3%
Groundnut oil*	45	0	23	0.0%
Olive oil	753	996	1,597	0.1%
Palm kernel oil	3,749	4,355	5,573	0.9%
Palm Oil	22,009	50,597	37,612	1.1%
Sesame seed oil	9	0	7	0.0%
Soybean oil	13,842	11,714	13,999	0.6%
Sunflower seed oil	251,199	237,985	178,778	7.1%
Other vegetable oils	95,085	76,085	74,230	1.4%
Vegetable oil total	388,345	383,754	314,026	1.8%

Source: FAO (2005)

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

- In Hungary, CAOLA was producing cosmetics containing Borago oil, used with success in the treatment of psoriasis and atopiasis eczema. The utilisation of this Borago oil was less than 3 tonnes per year (Ienica, 2004).
- No information is available on the industrial demand of other product groups included in this survey.

Production

- Foreign multinational companies have a more than 90% market share in Hungary. Local companies are losing market shares. Multinational companies also to a large extent supply the Hungarian market from other European countries.
- Production of cosmetics products is limited in Hungary. The available processing capacity is largely controlled by multinationals. Only one significant domestic player was encountered, Caolo PLC.
- According to the department of agricultural chemical technology of the University of Budapest, Hungary is one of the leading oil crop producers and researchers of Europe. This can not be supported with figures and should be interpreted with care.

Table 1.2 Hungarian production of vegetable oils, 2001-2003, in 1,000 tonnes

	2001	2002	2003	Share of EU
Coconut oil	not reported	not reported	not reported	
Groundnut oil*	46	0	0	0.0%
Palm kernel oil	3	0	0	0.0%
Sesameseed oil	not reported	not reported	not reported	
Soybean oil	4,900	3,000	5,400	0.2%
Sunflower seed oil	276,000	266,000	260,000	4.8%
Other vegetable oils	66,025	84,220	43,714	0.9%
Vegetable oils total	346,974	353,220	309,114	2.4%

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 Hungary.

- Reported Hungarian production of vegetable oils amounted to 309,114 thousand tonnes in 2003. Production decreased by 12.5% compared to 2002. Numerous Hungarian oil crop producers hoped to become suppliers for the large, already present, enterprises after the EU accession. However, problems facing the producers are the lack of domestic oil processing capacity and the consequent high costs for transportation. Local production of speciality oils will only be possible if the processing capacity is developed. The barriers to plant oil production and processing are connected.
- 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 Hungary. The same holds for medicinal and aromatic plants.
- Hungary is a major EU supplier of material from medicinal and aromatic plants, partly because wild-collection remains prominent in Hungary. The cultivation area as well as the wild collected quantity for the major herbs used in cosmetics is shown in table 1.4.
- The FAO publication *Natural colorants and dyestuffs*, which includes an overview of major colorants and dyestuffs entering international trade, reports no significant production in European countries, except for paprika from Spain and Hungary. This colorant, however, is mainly used in food products.

Table 1.3 Indication of total cultivated area, organic and wild collected quantity of herbs used in cosmetics in Hungary, 2005, in hectares and tonnes

Scientific name	Common name	Total area	Wild collected quantity
Chamomilla recutita	German chamomile	190	11
Anisum vulgare	Aniseed	68	270
Coriandrum sativum	Coriander	34	13
Borago officinalis	Borage	27	26

Scientific name	Common name	Total area	Wild collected quantity
Lavendula spp,	Lavender	18	13
Melissa officinalis	Lemon balm	15	70
Origanum marjorana	Marjoram	15	9
Mentha piperita	Peppermint	7	60
Calendula officinalis	Marigold	6	9
Salvia officinalis	Sage	3	20
Angelica archangelica	Angelica		40
Achillea millefolium	Yarrow		21
Rosa canina	Dog rose		23
Sambucus nigra	Common elder		10
Aesculus hippocastanum	Horse chestnut		225
Total		383	820

Source: EHGA Europam (2005)

- Please note that EHGA is an association of herb growers and the information is based on production areas of its members. Therefore, these figures are probably an underestimation of the actual areas, and especially of wild-collected quantities.
- Research into new perspectives for industrial plants is in progress at the *Agrobotanikai Intézet (Agrobotanical Institute)*.
- However, accession countries such as Hungary are growing in importance in the field of plant extract production, also as a subcontracting location for German and other European companies.
- No information is available on the production of other product groups included in this survey.

Trends

- The economic growth in Hungary leads to rising incomes. This in turn drives further sales increases in the cosmetics and toiletries market.
- Production, on the other hand, is expected to be decreasing due to the fact that domestic companies are losing market share on their home market.

Opportunities and threats

- The Hungarian market for cosmetics and toiletries is small but growing fast. Next to that, the domestic production of natural ingredients in Hungary is underdeveloped and these ingredients are thus mostly imported. This could change in the future for plant extracts, which are increasingly produced in accession countries such as Hungary.
- However, the Hungarian cosmetics market is largely supplied by multinationals, therefore this increased consumption of cosmetics will only to a limited extent translate into increased industrial demand for natural ingredients.

Useful sources

- For more information on Hungary, please refer to the 2004 IENICA report, available on <http://www.ienica.net/>.
- Euromonitor (<http://www.euromonitor.com>) also provides information on the Hungarian market. Please keep in mind that only summaries are readily available, the reports themselves come at considerable cost, but do provide company names.
- Furthermore, Hungarian trade associations mentioned in section 6 of this survey, and the Hungarian statistical agency (http://portal.ksh.hu/portal/page?_pageid=38,119919&_dad=portal&_schema=PORTAL) can be a source of information.

2. Trade: imports and exports

Imports

- Hungarian imports of natural ingredients for cosmetics are decreasing. This might be caused by the fact that domestic cosmetics companies are losing market share. Only the small imports of essential oils and oleoresins and raw plant material registered increases between 2000 and 2004. Hungarian imports are very small in an EU perspective.
- Imports of vegetable oils decreased by 7.9% annually between 2000 and 2004, amounting to € 20.0 million. Developing countries supplied 16% of this total, with important suppliers being Malaysia (8% of imports), and Indonesia (6%).
- Hungary imports saps and extracts worth € 7.5 million, signifying a 1% annual decrease between 2000 and 2004. Only 10% is imported from developing countries, with important ones being China (8% of total imports), and India (5%).
- Imports of essential oils amounted to € 2.7 million in 2004, signifying an annual increase of 9.7% between 2000 and 2004. 21% is imported from developing countries, with important suppliers such as Albania and North Korea.
- Raw plant material was imported with a value of € 2.9 million in 2004, signifying an increase of 2.9% per year since 2000. 42% is imported from developing countries, with important ones being China (12% of imports), Serbia Montenegro (4%), and India (4%).
- Imports of colouring matter decreased by 16.7% annually between 2000 and 2004, amounting to € 1.3 million in 2004. 82% originates in other EU countries, especially Germany. Peru (10% of total imports) and India (7%) accounted for almost the entire 17% developing country share.

Exports

- Hungarian exports of natural ingredients for cosmetics are negligible relative to other EU countries, except for raw plant material.
- The most noticeable development in Hungarian exports of natural ingredients for cosmetics is the continued increase in the exports of raw plants material. Between 2000 and 2004, these exports increased by more than 10% annually to € 7 million in 2004. Vegetable oil exports are also increasing fast, but amounted to only € 3 million in 2004.

Opportunities and threats

- Decreasing imports are a threat to suppliers trying to export to Hungary. Considering the dominance of multinationals on the market and limited local production, this is also not likely to change to a great extent. In general, the small quantities of natural ingredients imported in general make Hungary a less interesting market.
- The small share of imports from developing countries can either be 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 Hungary follows import patterns of other EU countries featuring larger 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 Hungary 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. However, cosmetics production is limited in Hungary.

- Caolo PLC (<http://www.caola-alfa.hu/en/index.html>) is a major user of natural ingredients.
- Herbária Rt. (<http://www.herbaria.hu/>) focuses on, amongst others, cosmetics containing medicinal and aromatic plants.
- Silvestris & Szilas (<http://www.silvestris.hu/>) is a large producer of essential oils and fragrances.
- An extractor and trader of essential oils, vegetable oils (almond) and vegetable saps and extracts (borage, calendula and poppy) is Amygdalin Kft. (+36 (0) 310 055).
- BIO-OLAJ Trading Rt. is a trading company in medicinal and aromatic plants (+36 (0) 60 470 712).

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 Hungary. 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 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 that could be of interest is KOZMOS; Association of Hungarian Cosmetics, Detergents and Cleanser Industries (e-mail: mkmtsz@axelero.hu).
- Another association that might be of interest, although more pharmaceutical and technical, is MAVESZ; the Hungarian Chemical Industry Association (<http://www.mavesz.hu>). The herb sector is organised in the Association and Product Board of Herbs (<http://www.kertnet.hu/HungarianHorticulture/gb/112s.htm>).
- There are no major, international trade events for the cosmetics industry in Hungary.
- A professional cosmetic magazine that could be of interest is the Hungarian edition of Beauty Forum (in Hungarian) (<http://www.beauty-forum.hu>).

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

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