CBI MARKET SURVEY

THE MARKET FOR NATURAL INGREDIENTS FOR COSMETICS IN POLAND

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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 Poland. 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 Polish market for ingredients for cosmetics market/industry has been included.

1. Market description: industrial demand and production

Industrial demand

- Poland is the biggest market of the new EU members, with sales of € 1.9 billion (3.1% of the EU market) in 2005 and continues to grow (+3.8% between 2004 and 2005). This places the Polish market just above Belgium/Luxembourg and just below The Netherlands.
- Market performance suggests Poland is more similar to Western Europe than the other EU10 countries (Colipa, 2006).
- In Poland, the bulk of the market (around 90%) consists of low to medium-priced products; only 5-6% consists of, mainly imported, premium products. The prestige end of the market represents a highly dynamic sector, reflecting the increase in consumer spending power in Poland.
- The key competitive factors are price, quality and brand recognition (US embassy Warsaw).
- The most dynamic sectors were depilatories, oral hygiene and sun care, because of their undeveloped character (Euromonitor, 2005).

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

	2001	2002	2003	Share of EU
Coconut oil	6,670	4,337	4,800	0.7%
Groundnut oil*	1,907	1,870	1,877	1.1%
Olive oil	3,960	4,316	6,096	0.3%
Palm kernel oil	5,034	10,876	31,057	4.8%
Palm Oil	54,184	70,681	56,855	1.7%
Sesame seed oil	34	34	23	0.1%
Soybean oil	127,887	133,197	117,739	5.3%
Sunflower seed oil	27,567	28,616	25,035	1.0%
Other vegetable oils	458,971	436,699	496,845	9.1%
Vegetable oil total	**686,214**	**690,626**	**740,327**	**4.3%**

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

- In regards to the industrial demand for natural ingredients, according to an interview with an industry source, in Poland, natural and especially organic products are not yet in high-demand. Chemical substitutes for the product groups are most viable on the Polish market.
- Phyto-cosmetics, containing herbal substances are very popular in Poland and growing fast in demand. (Ienica, 2004).
- There will also be a growing demand for healthy and ecological products which have not been tested on animals (US embassy, Warsaw, 2003).
- The interest in vegetable oils is also visible in table 1.1, which shows a considerable increase in the consumption of vegetable oils.
- According to the statistical data for the last decade, the most important herbal species for cosmetics are:
  - Chamomile (*Chamomilla recutita*
  - Burdock (*Arctium lappa*)
  - Nettle (*Urtica dioica*)
  - Lemon balm (*Melissa officinalis*)
  - Common birch (*Betula verrucosa*)
  - Oak (*Quercus sp.*)
  - Ivy (*Hedera helix*)
  - Marigold (*Calendula officinalis*
  - Eyebright (*Euphrasia officinalis*)
  - Purple coneflower (*Echinacea purpurea*)
  - St. Johns Wort (*Hypericum perforatum*)
  - Arnica (*Arnika montana*)
  - Sweet flag (*Acorus calamus*)
- The quantity of herbal raw material used for the production of cosmetics is about 1,300 tonnes per year. The total use of essential oils for aromatherapy, including the usage for fragrances and cosmetics is approx. 60 tonnes per year.
- There is also a stable increase in demand for essential oils. According to Ienica there is also increased activity in natural colorant processing and usage, albeit mostly for clothing.

Production

- The leading domestic cosmetics manufacturers have introduced advanced technologies, ISO certificates and research and development departments. There are around 400 companies in Poland, most small sized (Ienica, 2004). Only 60 of them employ over 50 persons. These manufacturers can be divided into several categories.
- Firstly, factories formerly owned by the Pollena conglomerate, which have been acquired by foreign investors, introducing new products and upgrading quality.
- Secondly formerly state-owned Polish factories that have been privatized and become independent (Pollena Ewa (http://www.pollenaewa.com.pl/), Miraculum(http://www.miraculum.com.pl/index1.html);
- Thirdly, a strong group of Polish private firms established in the 1980s and 1990s (Inter-Fragrances (http://www.i-f.com.pl/), Laboratorium Kosmetyczne dr. Irena Eris (http://www.drirenaeris.pl/), Kolastyna Labaratorium (http://www.kolastyna.pl/), Soraya (http://www.soraya.pl/), Dax Cosmetics (http://www.dax.com.pl/), Dermika (http://www.dermika.pl/engine/index.php), and Ziaja SP Zoo (http://www.ziaja.pl/). Domestic producers are especially dominant in skin and body care products
- Next to this a large number of new factories has been built by foreign companies (Johnson&Johnson, L'Oréal, Avon, and Oriflame). Many of the foreign multinational are present on the Polish market (Ienica, 2004).
- In regards to natural ingredients production, Poland is listed among the world's 12 leading countries of export of medicinal and aromatic plants, next to countries such as Germany and Bulgaria.
- Wild-collection remains particularly prominent in Poland (Kuipers s.a.).
- Comparable with the production of medicinal and aromatic plants, Poland, is growing in importance in the field of the production of extracts and serves as an important subcontracting country for Germany for natural ingredients.
- The general processing of herbal raw material in Poland is estimated to be about 20,000 tonnes per year, including 1/5 from natural resources and 4/5 from cultivation. Poland may become an important global manufacturer of raw material as well as processed herbs and saps and extracts (Ienica, 2004).
- The country is likely to become a competitor on the EU market for certain product groups, which can be produced in the Polish climate.

- However, the application of domestic herbs and essential oils for cosmetics and aromatherapy is limited by the economic problems of many companies producing and processing herbs.
- A significant reduction in the number of earlier existing companies is observed, as well as the reduction in the number of distilleries of essential oils. Therefore, the domestic production of essential oils is much lower than in the 1980s, and is now being replaced by import (Ienica, 2004).
- Poland is a considerable producer of vegetable oils as can be seen in table 1.2. 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 Poland. This is also the case for other product groups discussed in this survey.

Table 1.2 Polish 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*	1,840	1,840	1,840	2.9%
Olive oil	43	0	0	0.0%
Sesame seed oil	3,880	3,330	4,033	15.8%
Soybean oil	2,300	1,500	800	0.0%
Sunflower seed oil	7,630	8,218	9,717	0.2%
Other vegetable oils	360,777	341,842	356,003	7.5%
Vegetable oils total	**378,471**	**358,732**	**374,396**	**2.9%**

Source: FAO (2005)

Trends

- Estimates regarding the growth of Polish cosmetics and toiletries is very positive up until 2008. There were increased imports and export possibilities and a larger number of products on offer on the domestic market after accession to the EU. Higher disposable incomes among Polish consumers are expected to create a shift towards mid-priced and premium products.
- The market is highly developed with increased sales in fragrances and skin care driving growth, both of which are cosmetic sectors that feature strongly in Western Europe. However, deodorants remain a weak sector that is not developing. The most dynamically developing sub-sector will be fragrances and colour cosmetics, as these cosmetics and toiletries are being viewed as a good means of stating an improved economic position. Suncare and sun tan products are also seen as interesting emerging markets (Euromonitor, 2005).
- A constant growth of herb use for the production of cosmetics and essential oils for coming years is predicted, resulting from increasing popularity of natural cosmetics products, but also increased utilisation in the cosmetics industry at large (Ienica, 2004).

Opportunities and threats

- Poland's large cosmetics sector shows considerable growth in production, and increasing domestic demand for cosmetics as well as natural cosmetics, and considering also its increasingly important role as a processing country and trade hub for natural ingredients, the country is one of the more interesting countries in the EU for developing country producers.

Useful sources

- For more information on Poland, please refer to the 2004 Ienica report, available on http://www.ienica.net.
- Euromonitor (http://www.euromonitor.com) also covers Poland. Please keep in mind that only summaries are readily available, the reports themselves come at considerable cost, but do provide company names.
- Furthermore, Polish trade associations mentioned in section 6, and the Polish statistical agency (http://www.stat.gov.pl/english/index.htm) can be a source of information.

2. Trade: imports and exports

Imports

- Although the imports of natural ingredients into Poland are of a far smaller amount than those of the two leading EU markets (Germany and France), the Polish natural ingredients market is strongly increasing, especially regarding vegetable oils, fats and waxes. This reflects the increasing production of cosmetics in the country.
- The role of developing countries in imports of natural ingredients is insignificant, except for imports of raw plant materials.
- Imports of vegetable oils and fats increased by almost 8.9% annually, amounting to € 147.2 million in 2004. Just 13% was supplied by developing countries with important ones being Côte d'Ivoire (8% of total imports), and Indonesia (3%).
- Imports of vegetable saps and extracts amounted to € 39.2 million, signifying an 8.9% annual increase between 2000 and 2004. Developing countries account for 7% of these imports, of which more than half is accounted for by China.
- Imports of essential oils amounted to € 3.9 million in 2004, signifying an annual increase of 7.4% between 2000 and 2004. 18% is imported from developing countries, with India (12% of total imports) playing an important role.
- Raw plant material was imported with a value of € 10.8 million in 2004, signifying an increase of 14.3% per year since 2000. 36% is imported from developing countries, with the most important being Nigeria (9% of total imports), Sudan (7%), India (4%), Egypt (3%), and Turkey (3%).
- Imports of colouring matter decreased by almost 2% annually between 2000 and 2004, amounting to € 8.1 million in 2004. 3% originates in developing countries, with only Peru (3% of total imports) playing a role.

Exports

- Exports of all product groups included in the survey increased between 2000 and 2004. Exports of raw plant material are significant at € 29 million, and increased by 9.3% annually between 2000 and 2004.
- Although very limited in comparison to other EU countries, exports of saps and extracts and vegetable oils show fast annual increases of 26.2% and 23.5% respectively.
- Main destinations are Ukraine and Serbia Montenegro.

Opportunities and threats

- Imports of all product groups increased, offering opportunities for suppliers of products belonging to those product 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 Poland 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 Poland 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.
- Today there are about 400, mostly small or medium-sized cosmetics manufacturers in Poland. These are included in the section on production of this survey.
- German and other European companies outsource some processing activities of natural cosmetic production to companies in Poland.
- Moreover, two interesting examples of Polish companies active in the field in natural ingredients for cosmetics are Pollena-Aroma Flavours & Fragrances Ltd. (http://www.pollenaaroma.com) and Farmona Natural Cosmetics Laboratory (http://www.farmona.pl/). Other companies active in the natural cosmetics production are Cheman (wmyskowski@cheman.pl), Saponaria (http://www.saponaria.com.pl) and Bielenda (http://www.bielenda.com.pl) and Herbastudio (http://www.herbastudio.pl/en/index.php). Phytopharm also has a Polish subsidiary (http://www.phytopharm.com.pl/).
- The 2004 Ienica report offers additional companies starting from page 85.

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 Poland. 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 the Polish Cosmetics Association. They can be consulted through contacting their president; Iwona Bednarska, Tel: 0 22 826 73 38.
- Poland is a growing market for natural ingredients where some interesting trade fairs take place. The biggest trade fair for the cosmetics industry in Poland and Central Europe is the Polish edition of InterCHARM, annually held in Warsaw (http://eng.intercharm.pl).
- The major professional trade magazines in cosmetics are Uroda (uroda.redakcja@edipresse.pl) and Harmonia Cosmetic Magazine (www.harmonia.pl).

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