

CBI MARKET SURVEY

The market for natural ingredients for cosmetics in Germany**Publication date: October, 2009****Report summary**

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

- Between 2006 and 2008, the German market for cosmetics and toiletry increased on average by 2.9% per year, with sales amounting to € 12.6 billion in 2008. Per capita consumption in 2008 was € 153.
- The limited growth in the German market for cosmetics will come from specialist products. Opportunities for producers of natural cosmetics lie mainly in anti-allergic ingredients and products, new functional ingredients of plant origin, organic plant ingredients and labelling with "BDIH Natural Cosmetics certification". Moreover, the importance of Fair Trade ingredients is increasing in Germany.
- As a leading importer of natural ingredients, Germany is a very important market. The imports of vegetable derived oils, fats and waxes increased by 11% annually, raw plant materials by 5.3% per annum, and vegetable saps and extracts by 6.5% annually. Colouring matter and essential oils and oleoresins increased by 3.8% and 11% per annum respectively.
- Developing countries play a large role in German imports of natural ingredients. In particular vegetable oils, fats & waxes, vegetable saps & extracts and raw plant material are performing well. 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, the 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.eu/marketinfo>.

1 Market description: industrial demand and production

There is a general lack of information on the industrial demand for natural ingredients, as well as for general ingredient needs of the cosmetics industry. Therefore, the sections on industrial demand will first discuss cosmetics consumption and natural cosmetics consumption, followed by a discussion on (natural) cosmetics production. This discussion provides indicators for developments in, and the size of, industrial demand for natural ingredients for cosmetics.

Furthermore, where available, information on the market for specific ingredients is included. Qualitative data on organic ingredients, increasingly of importance in many EU markets for use in (organic) cosmetics, are also included if relevant. These ingredients have been certified according to organic standards, in contrast to natural ingredients which are not necessarily certified. Please refer to Appendix 1 of the EU survey for more specific information on this.

Industrial demand***Cosmetics consumption***

According to the European Cosmetics, Toiletry and Perfumery Association, Colipa, Germany is, with a 19% market share, the largest market in the EU. As from 2007, the cosmetics sales

increased by 2.2% annually, in value sales terms, to €12.6 billion. Per capita consumption, at € 153, is well above the EU average of € 115 (Colipa, 2009). The German market is characterised by very strong price competition by discounters and drugstore chains.

As seen in table 1.1, toiletries are the largest product group, achieving a growth of 2.3% between 2007 and 2008. The market for skin care products increased by 1.4% and hair care by 2.2%. Fragrances and perfumes show a limited increase of 0.3%. The highest growth is seen for decorative cosmetics, with an increase of 6.9%. This, however, still remains the smallest product group.

Table 1.1 German market for cosmetics and toiletries per product group in 2008 at retail sales prices (RSP), in million €, share and change 2008/2007 in %

Product group	Market value (€ million)	2008/2007 change (%)	Market share (%)
Fragrances/ Perfumes	1,664	0.3%	13%
Decorative cosmetics	1,334	6.9%	11%
Skin care	3,017	1.4%	24%
Hair care	3,043	2.2%	24%
Toiletries	3,548	2.3%	28%
Total	12,605	2.2%	100%

Source: Colipa, 2009

The development of the cosmetics market in Germany was the result of strong consumer confidence and a desire for specialty products. German cost consciousness still has great impact on the market, so that a rise in volume sales is partly negated by a decrease in prices (Colipa, 2009). However, premium cosmetics can still count on a relevant share of the market and consumer loyalty, especially when it comes to skin care.

However, due to the current economic crisis German consumer confidence is deteriorating and sales of cosmetics and toiletries are expected to stagnate in the coming period, although no actual overall decline in constant value sales is expected. There will be an increasing importance for private label products and decreasing consumer spending, coupled with overall stagnation for cosmetics and toiletries.

Natural cosmetics consumption

Germany is the largest and most advanced of the main European markets for ethical and natural cosmetics. According to Cossma (2009), in 2008, the German market for natural cosmetics increased by almost 10%, accounting for a share in the total cosmetics market of 5.4% or € 672 million.

The growing demand for ethical and natural products is boosting sales. There is no category of cosmetics without natural alternatives, in contrast to many other European countries. Natural cosmetic products are more widely available in local supermarkets and drugstores and consumers are not confined to beauty specialists. The main driver of the growth in decorative cosmetics were products including mineral-based products as, due to concerns for skin allergies, consumers are switching to natural cosmetics.

According to industry sources, multinationals are now leading the trend towards products which are partly natural. This trend is becoming the mainstream market in Germany, which results in natural cosmetics having relatively competitive prices in Germany (Organic monitor, 2007). This is turning out to be the principal key sustaining growth, as more affordable natural cosmetics become available and the product range is continuously widened. According to BioVista Marktforschung (2008), one out of ten clients in organics shops presently also purchase natural cosmetics. In other distribution channels, such as pharmacies and supermarkets, the increase in sales of natural cosmetics is lower but still substantial.

Cosmetics production

The consumption of cosmetics was discussed above. Although it is an indicator for the development of industrial demand for natural ingredients, a discussion of the production of cosmetics is also necessary in order to determine the size and development of domestic demand, because cosmetics can also be imported. There are many large German cosmetics companies. Although these do not necessarily produce all their products in Germany, while other companies do have cosmetic production facilities in the country. However, in the latter case, purchasing decisions for ingredients will probably not be taken in Germany. Germany is the second largest producer of cosmetic products, after France, with production amounting to € 4.5 billion, or 17% of the EU total. Between 2003 and 2007, the German production increased on average by 1.4% per year.

Similar to conventional cosmetics, production of natural cosmetics is not only increasing due to domestic demand, but the demand for natural cosmetics from Germany is increasing also in other EU countries. German natural cosmetics and organic cosmetics firms, such as Dr. Hauschka, seem to be well positioned to take advantage of market growth across the EU, due to their reputation of stringent application of natural and organic principles. Furthermore, especially in the USA, German products have a good name, and natural cosmetics exports are expected to increase by 50% until 2010 (Cossma, 2007). Production growth is mainly in the two-digit range, while growth figures of over 30% are also reported, especially for companies focusing on exports.

There are companies which produce cosmetics based on almost 100% purely organic plant material. Such companies are continuously looking for new ingredients of premium quality (<http://www.iumn.de>), such as pomegranate. Besides, functional ingredients, for instance anti-aging, are still interesting for cosmetics manufacturers. Anti-aging products is a trend already for a decade and is still lasting. Furthermore, skin and hair cleaning ingredients are attractive for the same producers, for example sugar.

Industrial demand for natural ingredients for cosmetics

Cosmetics consumption and production were discussed. They are important indicators of industrial demand for natural ingredients for cosmetics, as is discussed in this section. In general, an increasing demand for natural ingredients for cosmetics can be deduced from the information already given. Not only is the total consumption and production of cosmetics increasing, the figures specifically for natural and organic cosmetics are very positive. Natural cosmetics are firmly established in Germany, as they represent over 5% of total cosmetics sales. The expectations of market growth in the coming years are optimistic, and organic and natural cosmetics combined could account for 10% of the market in 2012.

Table 1.2 German industrial demand for vegetable oils, 2004-2007, in 1,000 tonnes

Product	2004	2005	2006	2007	Annual change (%)
Groundnut oil ¹	10	11	19	14	12%
Castor oil	32	26	33	37	5.0%
Palm kernel oil	328	276	287	280	-5.1%
Palm oil	621	634	769	891	13%
Other	2,586	3,283	4,841	5,151	26%
Total oils	3,577	4,230	5,949	6,373	21%

Source: Fediol, 2009

¹ The use of groundnut oil in cosmetics is decreasing due to its allergic properties.

Regarding specific product groups, table 1.2 provides an overview of vegetable oils consumed in Germany, which are used by the cosmetics industry and which are mostly produced in developing countries. According to Fediol, the European Oil and Protein Meal Industry Federation, industrial demand for vegetable oils increased by 21% annually between 2004 and 2007. In 2007, Germany's total consumption amounted to 6.4 million tonnes. Industrial demand for groundnut oil and castor oil increased by 12% and 5.0% respectively. Industrial demand for palm kernel oil decreased by 5.1%, whereas demand for palm oil increased by

13%. Please note that only a small part of these oils, mostly in refined form, is used in the cosmetics industry. The large increases in the demand for oil are mainly due to the high demand for bio-fuels.

According to industry sources, the statement "made with vegetable oils" has no sales significance anymore in Germany. Therefore, producers are looking to add value in different ways. This increases the demand for organic and Fair Trade oils, and certain specialty oils, with which companies try to distinguish themselves from their competitors. However, many organic oils are too expensive to be used in the mainstream cosmetics market in Germany. This impedes the further development of the organic oil market. However, its use in natural and organic cosmetics is not impeded. The demand for special oils is increasing. Companies such as Henry Lamotte are looking for new suppliers and investigating new products.

The demand for plant material, and/or its essences and extracts, has increased continuously in recent years. Most of this increasing demand for raw plant material extracts is still covered by imports, much of which comes from developing countries. However, large quantities of raw material are also sourced in East European countries. According to industry sources, currently around 20 to 30% of the natural extracts used in cosmetics is also available organically certified. Although this percentage is expected to grow, organic products will not reach 100% coverage of the ingredients market, as some products are very difficult to supply organically. Pricing and availability are the constraining factors in this, as cosmetics companies are only willing to pay a moderate premium for organically certified extracts, because end-consumers are only to a limited extent aware of differences between the products.

Germany has a very large extraction industry, producing both essential oils and plant saps and extracts. This industry forms a strong competitor to producers in other countries of these products, if they are also produced in Germany. Also, due to the high quality demand, these German producers can meet standards such as those for supercritical extraction. However, German producers are looking for suppliers of raw ingredients or semi-processed saps and extracts and essential oils, especially for those which are not produced in the EU, or organic ones. The industrial demand for essential oils and plant extracts therefore continues to increase. Essential oils currently of interest in Germany include rose, sandalwood and lily oil.

In Germany, colorant plant cultivation, processing and the market for natural colours almost completely disappeared, 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. At present, the cultivation of dyeing plants is still hard to find in Germany, so the demand for raw materials is almost exclusively covered by imports. This is also partly the case for processed colorants. The demand for organic colorants is also increasing.

Trends

According to Colipa (2009), the German cosmetic and toiletry market is likely to grow moderately during the next few years. However, for the coming years, sales of cosmetics are expected to stagnate, due to an increasingly difficult economic climate and decreasing consumer confidence. There will be an increasing attention paid to private label products, but decreasing consumer spending. While pressure on prices will remain high for products which are perceived as commodity items, such as bath and shower products, men's skin care and hair care are predicted to drive growth (Euromonitor, 2009).

Sales of natural cosmetics have been increasing by around 10% annually in the last five years. Moreover, more different types of consumers are becoming interested in purchasing natural cosmetics. Retailers more often offer private brand products as well as premium products. Private label products already account for one-fifth of total natural cosmetics sales. The share of private label products is expected to increase in the coming years (Cossma, 2009).

Even during the economic downturn, cosmetic products continue to find buyers. However, further growth will be dependent on a resurgence of the German economy. Tough competition within the industry and distribution chain might also be a threat. According to industry sources,

it is expected that sales of cosmetics will slightly increase in the coming years, by around 1.5% annually.

For further trends, please refer to the survey covering the EU market.

Market segmentation

The market for natural ingredients can be segmented at different levels. Firstly, the market for natural cosmetics ingredients can be divided into a segment for the processing industry and the end-product manufacturers (cosmetics companies). Germany has a very large cosmetics industry, and also plays a very important role in processing. In the processing industry, herbal extraction houses, milling operations, essential oil distillers, farms, nut and seed oil producers and wholesale distributors with value-adding capabilities all play an important role. This segment can be supplied with either raw or semi-processed materials. For the latter segment, quality demands and the level of processing demanded are very high, and can exceed the capacities of a large part of developing country producers. However, for an increasing range of countries this is becoming feasible, provided that sufficient human and financial capital is available. Extraction industries are relatively important in Germany.

Furthermore, natural ingredients can be either organic or conventional. The quantities demanded for the organic trade are often more limited, which can be interesting for smaller producers. Industry sources mention that developing countries in particular have an advantage in the supply of organic certified ingredients. This is because organic production is very labour-intensive and lower labour costs are very important, as buyers are only willing to pay 10 to 20% extra for organically certified material.

Production

Information on production of natural ingredients for cosmetics in Germany is limited. As discussed above, Germany is a large producer of vegetable saps and extracts and also a significant producer of essential oils, partly based on raw and semi-processed materials imported from developing countries. In general, German production is especially strong for further processed vegetable saps and extracts, and this production is increasing.

Germany is the largest producer of vegetable oils in the European Union, accounting for 30% of the EU total. According to Fediol, the European Oil and Protein Meal Industry Federation, German production of vegetable oils amounted to 3.6 million tonnes in 2007. Between 2004 and 2007, production increased by 8.1% (Fediol, 2009). Rape oil is by far the largest oil produced followed at distance by soya oil. Together, these two oils form 96% of the oils and fats produced in Germany, but they are only used for cosmetics in very limited amounts.

According to the European herb growers association (EHGA Europam), Germany has a sizeable production of herbs used in cosmetics. The main herbs produced in Germany are; German chamomile, Marjoram, Flaxseed, Mint, Sea Buckthorn, Common elder, Basil, St Johns Wort, Coriander, Rose fruits, Aniseed, Sage, Lemon balm, Lovage, 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). In order to meet the increasing demand from German and foreign extractors, the domestic cultivation of herbs used in cosmetics is increasing in Germany. Not only does substantial cultivation occur in Germany, there is also considerable wild collection of plants.

Major players

The major German cosmetics companies are shown in the following section of this survey. Furthermore, Germany has a large processing sector for natural ingredients, with companies active across the different product groups mentioned here. Germany has an especially large extraction industry. On the one hand, these companies can be competitors to developing country producers. However, on the other hand, they can be important buyers of products from exporters in developing countries or partners in product development.

For contact information on companies, as well as companies in other trade channels, such as raw ingredients traders and processors, please refer to section 2 of this survey. Examples of large players in Germany are K-W Pfannenschmidt in Hamburg (<http://www.pfannenschmidt.de>), Gehrlicher (<http://www.gehrlicher.de>), Sensient (<http://www.sensient-tech.com>) and Henry Lamotte (<http://www.lamotte.de>). Another interesting player is Elbe Fetthandel (<http://www.elbe-fett.com>), which is specialized in fatty acids and essential oils for cosmetics; also Imperial-Öl-Import, which is specialised in specialty oils.

Trends

Production of natural ingredients for cosmetics in Germany is likely to continue its upward momentum, due to increasing domestic demand. A major trend in Germany is the increasing certification of natural cosmetics products under the BDIH certificate. Caused by this, certifying ingredients as a 'Registered Raw Material' for BDIH Certified Natural Cosmetics facilitates B2B for use 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 showing the decreasing opportunities for market entry for producers of non-certified products on the German market.

BDIH Certified Natural Cosmetics is also a representative of the COSMOS-standard, which is an initiative to harmonise quality control and review the standard to continual evolvement.

For general trends on EU industrial demand and production, please refer to the trend sections of the corresponding chapters in the survey covering the EU.

Opportunities and threats

- + Germany is a very interesting market for developing country producers. The most relevant natural ingredients are new functional ingredients of plant origin, especially those with properties fighting the signs of aging and having moisturizing properties. However, considering the large German market, possibilities exist for other product groups as well.
- + Organic ingredients are particularly in high demand. Certification of ingredients under the "BDIH Natural Cosmetics certification" as 'Registered Raw Material' could also offer good opportunities (BDIH, 2009).
- + Although Germany is a major market for all products considered in this survey, raw plant material, vegetable saps and extracts are segments of particular importance in Germany. Considering the large processing industry in Germany, the country is a very interesting destination for exporters of these products.
- +/- Please note that further processed saps and extracts are very difficult to export to Germany due to the high quality demands and the highly competitive domestic production. However, it is still possible to supply these companies with raw materials and semi-processed materials.
- Increased efforts to broaden and promote local production in Germany 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. Nevertheless, given the temperate climate of Germany, there is more concern over increased competition with crops grown in temperate climates.

Exporters should take into account that the same trend can be an opportunity for one exporter and a threat to another. Please review these opportunities and threats according to your own situation. Chapter 7 of the CBI market survey 'The market natural ingredients for cosmetics in the EU' presents an example of an analysis of whether a trend / development is an opportunity or a threat.

Useful sources

- EHGA Europam (<http://www.europam.net>) offers information on the cultivation of herbs.
- Information on vegetable oil production and consumption in Europe can be found on the Fediol website (<http://www.fediol.org>).
- Organisations mentioned in section 6 of this survey can also serve as information sources. Furthermore, interesting sources can also be obtained from the CBI survey covering the EU.

2 Trade channels for market entry

Trade channels

Germany is the principal market for all product groups, except for essential oils. Regarding raw plant materials and vegetable saps and extracts, the German ingredients sector has historically played a particularly 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 effective 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, each trading in between 400-500 species. There has been further consolidation of the trade in the past few years.

Natural ingredients manufacturers mainly work with wholesalers and other traders to obtain their raw or semi-processed material. These producers work with a number of distributors, representing these ingredient suppliers/manufacturers at the cosmetics producer level. It is useful to investigate, which suppliers/producers supply these distributors, in order to establish a trade relation. 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. According to industry sources in the natural extracts industry, the critical mass for direct sourcing in developing countries (depending on the products) is between 3 and 5 tonnes. At lower quantities, wholesalers are used. When direct sourcing is chosen, German companies usually use intermediaries in developing countries, as this is easier than obtaining material directly from small producers.

Regarding processing, it should 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. However, EU buyers are also increasingly looking for fractions of essential oils, in which the required properties are isolated. 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. For example, manufacturers do not want to buy one container of unrefined vegetable oil – they might want 200 kg refined each week. However, here the quality demands and the level of processing are such that supplying EU users of saps and extracts can be challenging for many developing country producers.

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

Regarding the cosmetics market in general, the German market is fragmented, with no company commanding a market share of over 10%. Interesting companies currently active in

the production of cosmetics products, processing or ingredients and trade of ingredients are listed in the lower part of the box below.

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.vorwerk.com represented in the cosmetics sector by Jafra Cosmetics
• Maurer + Wirtz GMBH & Co. KG	http://www.m-w.de perfume manufacturer
• Dr. Babor GMBH & Co. KG	http://www.babor.de acquires its own active ingredients through scientific production processes
• Artdeco	http://www.artdeco.de premium cosmetics
• Fribad	http://www.fribad.de premium cosmetics
• Dr. Kurt Wolff GMBH & CO. KG	http://www.alpecin.de specialised in hair care products
• Marbert Holding AG	http://www.marbert.de part of the Borghetti-Agostini Group
Companies focusing on natural products	
• Aroma-Zentrum-Alsfeld	http://www.aroma-zentrum.de organic essential oils
• Berg & Schmidt	http://www.berg-schmidt.de distributor and processor of vegetable oils, fatty acids, castor oil and derivatives
• CPL Aromas	http://www.cplaromas.com aroma chemicals, essential oils and fragrance trader and processor
• CremerOleo	http://www.cremeroleo.de processing and distribution of oils and fats
• Curt Georgi	http://www.curtgeorgi.de flower extracts, essential oils, colorants
• Dr. Belter	http://www.belter-cosmetic.com/eindex.html
• Dr. Hauschka	http://www.dr.hauschka.de Germany's leading organic cosmetics brand
• 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 trade in raw materials and essential oils for flavours, fragrances, cosmetics and pharmaceuticals
• Eskage	http://www.eskage.de perfume oils, essential oils and flavours
• Flavex Naturextrakte	http://www.flavex.de plant extracts
• Folf Schneider Handelsgesellschaft	http://www.rolf-schneider-handelsgesellschaft.de essential oils trader
• 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-roenthal.de production of vaseline, specialties and raw material
• Henry Lamotte GmbH	http://www.lamotte.de trade and production of oils, also organic
• Imperial Oel-Import	http://www.imperial-oel-import.de specialty oils trader
• Lavera	http://www.lavera.de large natural cosmetics company
• Longona Naturkosmetik	http://www.logona.de natural cosmetics
• Pfannenschmidt	http://www.pfannenschmidt.de ingredients trade and processing, mostly saps and extracts
• Roeper	http://www.roeper.de large ingredient trader and processor, mostly for food and pharmaceuticals
• Sensient GmbH	http://www.essentialoils.de trader and processing of essential oils, oleoresins, aroma, chemicals, spice products and organic oils
• Symrise	http://www.symrise.com large ingredients supplier, mainly flavours and fragrances, also botanicals, functional and active ingredients and organic products
• Tieck Cosmetics	http://www.tieck-cosmetics.com fully natural cosmetics
• Worlee-Chemice	http://ko.worlee.de (natural) active ingredients

Sources: Euromonitor, ProFound's and consultants' sources

Trends

- The cosmetics sector is consolidating. The remaining players have greater market power, demanding additional services along with supply, as well as exerting price pressure on their suppliers. Traceability and ongoing innovation in new natural ingredients and cosmetics products are increasingly necessary to remain competitive.
- Small players are still important, especially in niches such as natural and organic cosmetics, often sourcing from specialised processors or traders and sometimes engaging in direct sourcing.
- Several conventional multinationals have also (re-)entered the organic and natural ingredient markets.

For further trends, please refer to the survey covering the EU market.

Price structure

Different prices and margins apply throughout the various trade channels. In general, margins in Germany follow EU levels and trends. Prices paid for materials increase significantly along the value chain. However, the market is not transparent at the different levels and therefore it is not possible to provide margins. Moreover, the margins differ widely between the different product groups.

Following consolidation and internationalisation in the cosmetics, the natural cosmetics and the natural ingredients industry, prices and margins are under pressure.

Selecting a suitable trading partner

Finding a trade partner in Germany should not deviate from the general EU method as described in the Export Guidelines for exporting natural ingredients for cosmetics to 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 to approach German customers are through direct (e)mail, personal visits (as follow-up), inviting potential German customers to visit them in their country, building your network and visiting international trade fairs. However, trade fairs in Germany play a smaller role than in some other EU countries.

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 financial status and credibility.

Useful sources

For general information, please refer to Chapter 3 of the survey covering the EU.

- Ingridnet (<http://www.ingridnet.com>) has a large database of ingredient suppliers and is used by the food, cosmetics and pharmaceutical industries to source ingredients.
- For companies in Germany active in BDIH's natural cosmetics certification scheme, please refer to <http://www.kontrollierte-naturkosmetik.de>.
- For organic trade leads, <http://www.greentrade.net> is a useful marketplace with different sections for cosmetics products.
- Furthermore, besides Internet sites of respective companies, the cosmetics suppliers' guide (<http://www.cosmeticsbusiness.com>) and Europages (<http://www.europages.com>) are good sources for finding contact details and information on German companies.
- The CTFA International Buyers Guide (<http://www.ctfa-buyersguide.org>) offers a specific site for cosmetics ingredients, including a trade leads section.

3 Trade: imports and exports

Imports

This section discusses Germany's imports and exports of natural ingredients. Please note that this data can also include natural ingredients which have been refined with the use of

chemicals. Although these are not natural according to the definition used in this survey (see Appendix 1 of the EU survey) Eurostat does not distinguish them in trade data.

Total imports

Among the main importing EU countries, Germany takes the leading position in the overall imports of all product groups, except for essential oils. Between 2004 and 2008, German imports increased in terms of value for all product groups. However, imports of vegetable oils, raw plant material and colouring matter slightly decreased in terms of volume, indicating higher prices.

Imports by product group

Germany is the largest EU importer of vegetable oils, fats and waxes. In 2007, imports totalled € 999 million / 729 thousand tonnes. Imports increased on average by 11% annually between 2004 and 2008. Developing countries were the source of 42% of imports and the main developing country supplier of vegetable oils, fats and waxes was Indonesia. Imports from developing countries increased by 12% per year, mainly due to large increases in imports from Indonesia, Papua N.G. and Malaysia. Peanut oil showed an annual increase of 8.6%, amounting to € 15 million / 10 thousand tonnes in 2008. Germany is the largest importer of coconut, palm kernel and babassu oil, increasing by 9.1% annually, amounting to € 435 million / 517 thousand tonnes in 2008. Imports of fixed fats and oils increased by 14%, amounting to € 155 million / 111 thousand tonnes. Imports of waxes increased by 11%, amounting to € 17 million / 5.3 thousand tonnes in 2008. Imports of cocoa butter, fat and oil increased by 12%, amounting to € 377 million / 86 thousand tonnes in 2008.

Table 3.1 Imports by and leading suppliers of ingredients for cosmetics to Germany (share in % of value, 2008)

Product	Total 2004 € mln	Total 2006 € mln	Total 2008 € mln	Leading suppliers in 2008 (Share in %)	Share %
Vegetable oils, fats & waxes	383	399	570	Intra-EU: The Netherlands (46%), Belgium (3.6%), Italy (2.6%), France (2.5%), Austria (1.3%)	57%
	16	11	12	Extra-EU excl DC*: USA (0.4%), French Polynesia (0.3%), Switzerland (0.2%)	1.2%
	265	297	417	DC*: Indonesia (27%), India (3.1%), Philippines (2.8%), Papua N. G. (2.1%), Malaysia (2.1%), Argentina (1.0%), Brazil (0.7%), China (0.6%), Ghana (0.6%), Thailand (0.5%)	42%
Vegetable saps & extracts	129	157	172	Intra-EU: France (17%), Ireland (8.5%), Denmark (8.2%), Spain (6.8%), Italy (5.4%)	56%
	41	41	44	Extra-EU excl DC*: Switzerland (7.3%), USA (5.6%), Israel (0.5%), Australia (0.2%), Japan (0.2%)	14%
	70	87	94	DC*: India (10%), China (5.3%), Iran (3.2%), Philippines (2.0%), Sudan (1.5%), Indonesia (1.3%), Morocco (1.0%), Brazil (1.0%), Mexico (0.9%), Chad (0.6%)	30%

Product	Total 2004 € mln	Total 2006 € mln	Total 2008 € mln	Leading suppliers in 2008 (Share in %)	Share %
Essential oils & oleoresins	50	54	66	Intra-EU: France (18%), The Netherlands (8.4%), Italy (5.6%), United Kingdom (5.1%), Spain (2.0%)	44%
	16	18	29	Extra-EU excl DC*: USA (9.2%), Switzerland (7.4%), Australia (1.5%), Canada (0.3%), Russia (0.3%)	19%
	32	40	56	DC*: India (12%), Brazil (6.8%), China (6.0%), Indonesia (5.2%), Turkey (1.9%), Egypt (0.9%), Iran (0.7%), Sri Lanka (0.5%), South Africa (0.4%), Argentina (0.4%)	37%
Raw plant material	33	46	41	Intra-EU: Poland (16%), Bulgaria (4.1%), Sweden (2.4%), Spain (2.4%), France (2.2%)	34%
	15	15	15	Extra-EU excl DC*: USA (6.2%), Australia (2.0%), Israel (1.7%), Switzerland (0.5%), Russia (0.4%)	12%
	51	54	66	DC*: Chile (8.0%), China (7.5%), Egypt (6.3%), Brazil (4.3%), India (4.0%), Turkey (4.0%), Albania (2.9%), Thailand (1.6%), Croatia (1.6%), Iran (1.3%)	54%
Colouring matter	24	26	23	Intra-EU: The Netherlands (28%), Spain (8.8%), Denmark (5.9%), France (4.8%), Italy (1.4%)	52%
	4.8	8.7	7.5	Extra-EU excl DC*: USA (7.4%), Australia (5.0%), Switzerland (2.7%), Japan (0.9%), Norway (0.3%)	17%
	9.5	13	14	DC*: China (14%), Peru (7.6%), India (6.0%), Malaysia (1.1%), Chile (1.0%), Ecuador (1.0%), South Africa (0.9%), Egypt (0.2%)	24%

Source: Eurostat (2009)

*DCs: Developing countries

Between 2004 and 2008, German imports of vegetable saps and extracts increased constantly, both in terms of value and volume. Due to numerous commodity houses based in the Hamburg area, Germany is the leading EU importer, with 22% of the total EU imports, followed by France (15%) and the UK (8.1%). In 2008, imports amounted to € 310 million / 68 thousand tonnes, an annual increase of 6.5% during the review period. The majority of German imports comes from other European countries. However, imports from developing countries are increasing, accounting for over 24% of total imports, with an average annual increase of 7.4%. The main developing country supplier of vegetable saps and extracts to Germany was India. Imports from India, and especially from China and Iran, are increasing at a fast rate. At the product level, Germany was the second largest importer of natural gums, resins, gum-resins and balsams in the EU. Between 2004 and 2008, the country was responsible for 14% of total EU imports, amounting to € 25 million / 11 thousand tonnes in the latter year. The main developing country supplier in the period analyzed was Sudan, followed by India, Iran and Chad. Germany was the largest importer of other vegetable saps and extracts in the EU, accounting for 23% of total EU imports in 2008. German imports amounted to € 285 million / 57 thousand tonnes.

In 2008, Germany was the third largest importer of essential oils and oleoresins in the EU, behind France and the United Kingdom. In 2008, Germany was responsible for 19% of total EU imports, totalling € 151 million / 19 thousand tonnes in the latter year. Imports increased by 11% annually, significantly above the growth level in the EU. The two largest suppliers of

essential oils and oleoresins were France and India. Developing countries were responsible for 37% of all imports, and imports increased by 15% annually during the review period. At product level, Germany was particularly important for orange oil, extracted oleoresins, other citrus fruits and other essential oils. In 2008, Germany accounted for 22% of total EU imports of orange oil and 18% of total EU imports of extracted oleoresins, totalling € 12 million / 5.4 thousand tonnes and € 26 million / 7.6 thousand tonnes.

German companies dominate the global herbal medicine supply industry, which makes the country a leading importer of raw plant material. In 2008, Germany accounted for 23% of total EU imports, amounting to € 122 million / 46 thousand tonnes. Between 2004 and 2008 German imports experienced an annual increase of 5.3%. Developing countries accounted for 54% of German imports. Poland was the main supplier; its importance increased by 21% annually during the review period. Imports of raw plant material from developing countries increased by 6.7% annually. In terms of specific products, Germany was the largest importer of medicinal and aromatic plants in the EU. Between 2004 and 2008, Germany accounted for 25% of total EU imports, amounting to € 116 million / 45 thousand tonnes in the latter year. The main suppliers were Poland, accounting for 17%; Chile and China, accounting for 8.4% and 7.1% respectively. Germany was the fifth largest importer of seaweed and algae in the EU, totalling € 6.1 million / 813 tonnes in 2008. The main developing country supplier was China, accounting for 15% of German imports.

Germany is the largest importer of colouring matter in the EU. Between 2004 and 2008, the country was responsible for 18% of total EU imports, amounting to € 45 million / 3.3 thousand tonnes in the latter year. Imports increased by 3.8% annually during the review period. Developing countries accounted for 32% of German imports, with an average annual increase of 11% during the review period. The main developing country supplier of colouring matter to Germany was China, which increased its sourcing to Germany by 51% annually in the review period.

Exports

Germany is the fourth largest exporter of vegetable derived oils, fats and waxes in the EU. Between 2004 and 2008, the country was responsible for 7.7% of total EU exports, amounting to € 197 million / 81 thousand tonnes in the latter year, an annual increase of 11% in terms of value, but an 11% decrease in terms of volume. Germany directed its exports mainly to EU countries, especially France, Italy and The Netherlands. Within this product group, an important product that Germany exports is cocoa butter, which is often exported to other European markets, in particular France, The Netherlands, Poland and Italy.

Germany is the largest exporter of vegetable saps and extracts in the EU. However, between 2004 and 2006, the country suffered a negative trend, after which exports increased in the latter part of the review period. In 2008, Germany was responsible for 29% of total EU exports, totalling € 367 million / 31 thousand tonnes in the latter year, an annual increase of 7.3% during the review period. Russia is the largest export market. In terms of specific products, Germany is the second largest exporter of natural gums, resins, gum-resins and balsams and the largest exporter of other vegetable saps and extracts in the EU.

Germany is the third largest exporter of essential oils and oleoresins in the EU. Between 2004 and 2008, exports had an annual increase rate of 14% amounting to € 86 million / 7.6 thousand tonnes in the latter year. Germany is the third largest exporter of orange oil and extracted oleoresins in the EU. According to industry sources, re-exports of essential oils originating in developing country oils are increasing.

Germany is the largest exporter of raw plant material in the EU. Between 2004 and 2008, Germany was responsible for around 24% of total EU imports, amounting to € 86 million / 18 thousand tonnes in 2008, with an annual increase rate of 4.8%. The main export markets were Switzerland and the United Kingdom. In terms of specific products, Germany was the

largest exporter of medicinal and aromatic plants, partly constituted by re-exports, and the fifth largest exporter of seaweed and algae in the EU.

Germany is the second largest exporter of colouring matter in the EU, trailing The Netherlands. Between 2004 and 2008, exports increased by 8.9% annually. This amounted to 16% of total EU exports, or € 46 million / 3.1 thousand tonnes in 2008. The main export market for German colouring matter was The Netherlands.

Opportunities and threats

- + In the last few years, German imports of natural ingredients increased for all product groups, making the country an interesting market for natural ingredients in general. Moreover, during the review period, all product groups increased in terms of value, while increasing slowly, or even decreasing, in terms of volume. These developments indicate an increase in price over the last few years.
- + Exporters in developing countries had a significant share in German imports of natural ingredients. In general, all imports from developing countries increased during the review period. In terms of value, vegetable oils, fats and waxes was the most interesting group for DC suppliers, whereas developing country exporters had the largest share in German imports of raw plant material.
- + The country is the largest importer for all product groups, except for essential oils, making Germany the most important market for developing country producers due to its many potential buyers, also because of its important trading function within the EU.

Exporters should take into account that the same trend can be an opportunity for one exporter and a threat to another. Please review these opportunities and threats according to your own situation. Chapter 7 of the CBI market survey 'The market for natural ingredients for cosmetics in the EU' presents an example of an analysis of whether a trend/development is an opportunity or a threat.

Useful sources

- EU Expanding Exports Helpdesk
 - <http://exporthelp.europa.eu>
 - go to: trade statistics
- Eurostat – official statistical office of the EU
 - <http://epp.eurostat.ec.europa.eu>;
 - go to 'themes' on the left side of the home page
 - go to 'external trade'
 - go to 'data – full view'
 - go to 'external trade - detailed data'
- Understanding Eurostat: Quick guide to easy Comext



http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf

4 Price developments

Regarding prices of ingredients, please refer to the CBI market survey covering the EU market, as the indications of prices given there do not differ from those in Germany. Global market prices exist for several products discussed in this survey, such as for palm oil; The Public Ledger offers weekly price information. No price information is available for many other products. Actual prices are dependent on negotiation with the companies. Prices differ widely between product groups, and within product groups. They relate to the type of product, the quality, buyer requirements, additional services etc. Furthermore, organic or Fair Trade certification and (for some products) wild collection/cultivation can have an influence on the price, with organically certified and wild collected products being sold at premium prices.

It is important that exporters have detailed production costs/volume price breaks for the ingredients they supply. This will give them a solid reference point for any negotiations with

buyers. When establishing an overseas price for products, exporters should take several factors into consideration, such as competition; costs incurred with production, packaging, transportation and handling, promotion and selling expenses; the demand for 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 an exporter prices his product demands a good deal of thought and effort, since it directly affects your ability to make a profit.

Useful sources

Interesting sources of price information are:

- The Public Ledger - <http://www.agra-net.com/portal> - at the left side of the screen you will find a link to The Public Ledger)
- ITC market news service - <http://www.intracen.org>

5 Market access requirements

As a manufacturer/supplier 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. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select natural ingredients for cosmetics and Germany in the category search, click on the search button and click on market access requirements.

Additional information on packaging can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packaging/packit.htm>.

Information on tariffs can be found at <http://exporthelp.europa.eu>. No quotas apply to the products included in this survey.

6 Doing business

General information on doing business, for instance approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) can be found in CBI's export manuals 'Export Planner' and 'Your image builder'. Furthermore, cultural awareness is a critical skill in securing success as an exporter. Information on cultural differences in the EU can be found in chapter 3 of CBI's export manual 'Exporting to the EU'. These manuals can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications.

Sales promotion

Sales promotion in Germany should not deviate from the general EU method as described in the Export Guidelines for exporting natural ingredients for cosmetics to the EU. In Section 2, the importance of networks, trade fairs and company visits was expressed in promoting your company and finding trade partners. Trade fairs also offer valuable information on trends, your competitors and the products and services they offer, etc. Furthermore, the importance of trade press should not be underestimated, both as a source of information on trends, companies etc. and a means of promoting your company and your products.

Exporters should realise that the Internet is an important tool in sourcing 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. Having a clear and inviting website is therefore essential.

Although most Germans speak English, it is of course preferable, if export/sales personnel of your company is capable of speaking 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.

In the case of ingredients for cosmetics, many German importers are not in favour of trade fairs as a means to promote suppliers in 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 focusing on the cosmetics, natural cosmetics and natural ingredients sectors.

- German **trade associations** which could be of interest are IKW; the German Cosmetics, 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 cosmetics trade fairs are Cosmeticsa 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, tri-lingual **magazine**, giving news from the areas of perfumery and cosmetics, aerosol and spray technology and marketing and marketing surveys (<http://www.cossm.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-and-beauty.com/main/index.php>). SÖFW-Journal is the leading German magazine on cosmetics formulations (<http://www.sofw.com>).

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

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