

CBI MARKET SURVEY

The market for natural ingredients for cosmetics in Italy**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 Italy:

- Between 2006 and 2008 the Italian market for cosmetics and toiletry increased on average by 1.6% per year, with sales amounting to € 9.0 billion in 2008. Per capita consumption in 2008 was € 153.
- Italy is the second largest market in the EU for natural cosmetics, and the market is still growing fast. Next to the increasing importance of cosmetics containing natural ingredients, an interesting niche market is the organically certified cosmetics market, which is expected to outperform the overall market growth.
- As a major importer of natural ingredients, Italy is an interesting market. The imports of vegetable derived oils, fat and waxes increased by 17% annually, raw plant materials by 7.0% per annum, and vegetable saps and extracts though only by 0.7% annually. Colouring matter and essential oils and oleoresins increased by 8.1% and 1.7% per annum respectively.
- Developing country suppliers have a large share in Italian imports of vegetable oils, fats and waxes and raw plant material.

This survey provides exporters of natural ingredients for cosmetics with sector-specific market information related to gaining access to Italy. 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.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, sections on industrial demand will first discuss cosmetics consumption and natural cosmetics consumption, followed by a discussion on (natural) cosmetics production. The consumption and production of organic cosmetics will also be discussed. This discussion provides indicators for developments in, and the size of, industrial demand for natural ingredients for cosmetics.

Furthermore, wherever available, information on the market for specific ingredients is included. Qualitative data on organic ingredients for use in (organic) cosmetics have become increasingly important in many EU markets and 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.

Industrial demand***Cosmetics consumption***

According to the European Cosmetics, Toiletry and Perfumery Association (Colipa), Italy is the fourth largest market for cosmetics in the European Union, having a market share of 13% in the EU. Between 2007 and 2008, the Italian market for cosmetics and toiletry increased on average by 0.8% per year, with sales amounting to € 9.1 billion in 2008. Per capita consumption in 2008 was € 153, which is higher than the EU27 average (€ 115). Although the cosmetics consumption in Italy increased, the average market volume of the cosmetics

industry in the EU is increasing faster, at 1.9% per year. The positive performance of the Italian cosmetics sector was, according to Euromonitor, a leading European market research company, mainly an exceptionally high level of innovation, as well as the ongoing trend towards premium products.

As can be seen in table 1.1, skin care is Italy's largest cosmetics category. Between 2007 and 2008, the market increased by 1.2%. Skin care products became increasingly accessible through the mass market channels at lower prices, and the increased interest in anti-ageing, firming and do-it-yourself salon products. Toiletries and fragrances enjoyed a growth of 1.7% and 1.2% respectively. Prices for decorative cosmetics increased by 3.1%, due to value-adding innovations. On the other hand, hair care failed to benefit from the increase in spending, decreasing by 1.1%.

Table 1.1 Italian 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	1,137	1.2%	13%
Decorative cosmetics	1,189	3.1%	13%
Skin care	2,510	0.3%	28%
Hair care	1,920	-1.1%	21%
Toiletries	2,317	1.7%	26%
Total	9,073	0.8%	100%

Source: Colipa, 2009

The Italian cosmetics industry association (Unipro) reports that product categories including hand products and colour cosmetics showed especially good results, growing by 6.8% and 5.3% respectively.

Also of importance in Italy are cosmeceuticals, through which women in particular seek functional products against aging.

Natural cosmetics consumption

Italians have been keeping pace with the rest of Europe in realising the benefits of a healthy lifestyle. This is reflected in the growing popularity of non-traditional healthcare treatments and the increase in sales of cosmetics products containing non-synthetic, but also active ingredients. In 2006, Italy and Germany were the largest markets for natural cosmetics. Combined, these two markets accounted for 70% of total EU sales of € 1 billion. According to a press release by SANA, the major Italian fair on natural products, in 2007, the Italian total consumption of natural cosmetics was worth € 420 million, and is expected to increase to € 630 million in 2011. This would mean that natural cosmetics currently represent 4.6% of the total sales of cosmetics (SANA, 2007). The major distribution channel for natural cosmetics in Italy is herbalist shops, which increased sales by 3.7% in 2008 (Unipro, 2009). Of special interest are products containing high-vitamin ingredients and aromatherapy products.

The organic cosmetic market is still relatively small in Italy, but it registered very high growth in recent years. However, according to industry sources, it is important to keep in mind that the market of organically certified ingredients is small, and Italian companies often rely on suppliers on the basis of long-term contractual relationships.

The growth rate in the sectors could be hampered by the lack of a proper regulatory framework defining 'natural' cosmetics. According to industry sources, the Italian market in particular is flooded with cosmetics, which use minimal quantities of natural and organic ingredients, but are advertised as natural or organic products. This situation could harm the credibility of the sector in the long run.

Cosmetics production

The consumption of cosmetics was discussed above. Although consumption is an indicator of the development of industrial demand, a discussion on the production of cosmetics is also necessary to determine the size and development of ingredients demand, because cosmetics can also be imported.

The Italian cosmetics and toiletries market is dominated by big cosmetics multinationals. However, the country also has a large number of medium-sized producers, mainly in the North. Moreover, many fashion houses also have their own cosmetics and fragrance lines. According to industry sources and supported by Eurostat data, production of cosmetics in Italy has been increasing for the past 15 years. With a production worth € 3.4 billion, Italy accounts for 13% of EU production. Between 2003 and 2007, production increased by 6.1% annually (Eurostat, 2009).

Italy is a particularly important producer of fragrances and colour cosmetics. Industry sources indicate that Italy produces a great part of the colour cosmetics products in the EU.

According to Unipro, the total number of national and international cosmetics companies operating in Italy is around 300, in addition to smaller enterprises whose contribution to the overall market is difficult to estimate. Out of these 300 companies, about half is directly active in the production of cosmetics. The other half is composed of importers/retailers using private labels, contracting out production (Unipro, 2008). Important natural cosmetics producers include; I Provenzali (<http://www.iprovenzali.it>) and Pilogen Carezza (<http://www.pilogen.it>).

Industrial demand for natural ingredients for cosmetics

Cosmetics consumption and production were discussed above, because of their importance as indicators of industrial demand for natural ingredients for cosmetics.

The consumption of conventional cosmetics, as well as consumption of natural and organic cosmetics, is increasing in Italy. Furthermore, (natural) cosmetics production is also increasing and thus leading to increasing demand for natural ingredients. As Italy imports most of its raw materials, foreign suppliers can benefit from this situation. While the Italian cosmetics market is highly competitive, it is open to new products, particularly those which are natural or contain natural active ingredients derived from plants and vegetable extracts.

Italian industrial demand for vegetable oils is among the highest in the EU, especially for groundnut oil. Other oils from tropical countries such as palm, palm kernel oil and coconut oil are consumed to a much lesser degree. Table 1.2 provides an overview of the vegetable oils consumed in Italy, used by the cosmetics industry, and which are mostly produced in developing countries. According to Fediol, the European Oil and Protein Meal Industry Federation, between 2004 and 2007 industrial demand for vegetable oils in Italy increased by 7.8% annually. Palm oil was the largest product consumed in Italy. In 2007, consumption amounted to 450 thousand tonnes (Fediol, 2009).

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

Product	2004	2005	2006	2007	Annual Change (%)
Groundnut oil ¹	35	37	43	41	5.4%
Castor oil	11	10	11	12	2.9%
Palm kernel oil	38	35	32	32	-5.6%
Palm oil	330	370	454	450	11%
<i>Other</i>	<i>1,007</i>	<i>1,141</i>	<i>1,414</i>	<i>1,247</i>	<i>7.4%</i>
Total oils	1,421	1,593	1,954	1,782	7.8%

Source: Fediol, 2009

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

Between 2004 and 2007, industrial demand for groundnut oil increased by 5.4% per year and castor oil by 2.9% annually. Palm kernel oil decreased by 5.6% annually. Italian industrial demand for palm oil is increasing rapidly by 11%. Please note that only a small part of these oils, mostly in refined form, goes to the cosmetics industry. Moreover, especially palm oil and palm kernel oil are bulk products, of which only a small part ends up in cosmetics. Because of these large volumes, they are very difficult markets for smaller producers to enter.

The interest in natural colorants has recently been growing, thanks to the consumer trends towards environmentally friendly products. In general, opportunities for colorants are good, considering Italy's large colour cosmetics industry and exports. However, trade volumes and demand are still rather limited.

Because of its very sizeable cosmetics industry, it can be expected that Italy is also a large consumer of other natural ingredients for cosmetics. Moreover, Italy is an important producer of essential oils and plant extracts, for a considerable part based on imported raw-material supply from developing countries.

Trends

Sales of cosmetics products are forecasted to record a positive performance for the coming year. The natural cosmetics market will show higher growth. However, value growth will be hampered by the negative economic environment. Except for prices, producers are increasingly focusing on transforming "mass" products into "upper mass" through packaging, advertising and marketing strategies. In Italy, private labels are not yet very common, which means that price competition is still limited, compared to other countries.

According to some industry sources, Italian consumers are very interested in specialty products. Niche markets and specialized products for different age groups, men and teenagers are an important trend in Italy. In Europe as a whole, niche marketing is highlighting new "needs". This is accompanied by an increased segmentation and complexity between consumer categories.

According to different industry sources, it is very hard to determine which specific natural ingredients are witnessing positive trends in the Italian cosmetics market. As in many other EU countries, cosmetics companies keep launching new products, which contain very diverse active natural ingredients. For example, the use of Aloe Vera boomed in recent years, but now many companies are using alternative products, especially based on fruits with high percentages of vitamin C. These continuous changes of consumer preferences make it very difficult to predict future trends in the sector.

An increasingly interesting niche market, next to cosmetics containing natural ingredients, is the organically certified cosmetics market. The organic market is still limited, but the number of producers and consumption is rising rapidly, propelled by increased health awareness. Organic certified cosmetics are mostly in skin care, soaps and shower gels and hair products. According to industry sources, the market for organic cosmetics is growing. The main limiting factors are, however, the small number of certified products, the limited availability inside the greater distribution chain and the fact that this niche market is still primarily dominated by small producers.

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 one for the end-product manufacturers (cosmetics companies). Italy has both a large cosmetics industry, and a large processing industry. In the processing segment, 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, provided that sufficient human and financial capital is available, this is becoming feasible for an increasing range of countries. Italy has a relatively large number of extraction companies.

Furthermore, ingredients can either be organic or conventional. The quantities demanded for the organic trade are often more limited, which can be interesting for smaller producers. Moreover, marketing products as 'organic' offers producers a premium on their products.

Production

Italy has several large traders and processors of natural ingredients and is one of the largest producers in Europe of these products, especially of saps and extracts and essential oils. However, most domestic raw material needs are imported, demonstrating a shortage in domestic production and/or a mismatch between domestic industrial demand and domestic production.

According to the European herb growers association (EHGA Europam), Italy has a sizeable production of herbs used in cosmetics. The herbs produced in Italy are Bergamot, Peppermint, Basil, Licorice, German chamomile, Lemon, Rosemary, Lavender, Curry plant, Sage, Lemon balm, Clary sage, Aniseed, Hyssop, Dog rose and Flaxseed. Moreover, as Europe's principal organics producer, a large part of this production is organically certified. The country also has a considerable number of companies focusing on extraction of, and trade in, raw plant materials. Italian processors use both domestic supplies and imports of raw and semi-processed materials to produce large quantities of essential oils, saps and extracts and natural colorants.

Italian production of vegetable oils amounted to 585 thousand tonnes in 2007. Between 2004 and 2007, production increased by nearly 1% per year (Fediol, 2009). This production, however, mainly consisted of soya oil and sunflower oil, of which only very small quantities are used in cosmetics. As for essential oils, Italy is by far the leading producer and supplier of lemon oil (38% of total EU exports) and other citrus fruits oils (33%) in the EU (Eurostat, 2009). Furthermore, it has an important position for bergamot oil (Cosma 2007). Next to this, a large number of other essential oils is produced.

Major players

Italy has a large sector processing natural ingredients, especially extraction companies. The largest extract producer in Italy is Indena. The company produces natural ingredients for cosmetics and food as well as pharmaceutical products. Other important local extractors are Carlo Sessa SpA, D. Ulrich SpA, Erbe SpA and Natur Farma SaS. Of these, particularly Carlo Sessa SpA and D. Ulrich SpA are involved in local cultivation, with extensive domestic networks for local sourcing, promoting local production of raw material. On the one hand, these companies can be competitors to developing country producers. 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.

Trends

In Italy, there are various initiatives for research and the promotion of the production of colorant materials and colorants, as well as regarding plants containing biologically active compounds. Increasing production, especially by small companies collaborating in these research endeavours, is becoming visible for some products.

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

- + The Italian cosmetics market is very innovative and open to new products, particularly those which are natural or contain natural active ingredients derived from plants and vegetable extracts. There are also good prospects for ingredients, which distinguish themselves from what is already available on the Italian market.
- + Italy has a large cosmetics industry, supplying growing domestic cosmetics markets as well as those elsewhere in Europe. This is likely to translate into increased industrial demand for natural ingredients for cosmetics.
- + Italy imports most of its raw material needs.
- + The continued expansion in organic production and consumption points to increasing opportunities for these products on the Italian market.
- The increased efforts to broaden and promote local production of cosmetic ingredients may be a threat to developing country producers, if the local production turns out to have a competitive advantage over crops currently imported into Italy.

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

- AIAB (<http://www.aiab.it/home>) offers information on the Italian organics market and production (only available in the Italian language).
- Furthermore EHGA Europam (<http://www.europam.net>) can offer some information on the cultivation of herbs in Italy.
- Organisations mentioned in section 6 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

In general, the same trade channels apply to Italy as in the rest of the EU. The traditional approach of contacting traders, intermediate processing companies such as fragrance houses, refining companies and extractors, agents or wholesalers (either with or without processing capacity, dependent on the product) remains the most effective method.

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 the case for specialist niche players, such as natural or organic producers, which are listed below. Please keep in mind that end-industries are often not keen on adding to their supplier list and are therefore far more difficult to establish business relations with than traders, wholesalers etc.

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

Leading cosmetics companies	
• Euroitalia	http://www.euroitalia.it website is password protected
• Kelemata	http://www.kelemata.it (only in Italian)
• The Guaber Group SA	http://www.guaber.com
• Mirato Spa.	http://www.mirato.it
• Conter	http://www.conter.com
• Deborah Group	http://www.deborah.it
• Versace Profumi	http://www.versace.com
• Paglieri Profumi Spa.	http://www.paglieri.com
• Collistar	http://www.collistar.it
• W&J	http://www.weruska.com
Companies focusing on natural products	
• Arda Natura Srl	http://www.acef.it production of vegetable extracts and raw materials, global sourcing of raw materials
• Bottega Verde	http://www.bottegaverde.it natural cosmetics producer
• Carlo Sessa SpA	http://www.carlossessa.it trader of active ingredients and medicinal and aromatic plants worldwide; promotes domestic cultivation
• D. Ulrich SpA	http://www.fermacol.com/d_ulrich.htm extractor, mainly of own and domestic production
• Erbex SpA	http://www.erbex.it
• Indena SpA	http://www.indena.com active ingredients trade and production
• I Provenzali	http://www.iprovenzali.it natural cosmetics producer
• Natur Farma SaS	http://www.raihuen.it trade and production of ingredients
• Pilogen Carreza	http://www.pilogen.it natural cosmetics producer
• Aakon	http://www.aakon.it , distributor of fine chemicals

Sources: Euromonitor, ProFound’s and consultants’ sources

Trends

- The cosmetics sector is consolidating. The remaining players have a strong market power, demanding additional services along with supply, as well as exerting price pressure on their suppliers. On the other hand, traceability and ongoing innovation in new natural ingredients and cosmetics products are increasingly necessary to remain competitive.
- Small players remain 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 are active in 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 Italy 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 also the natural ingredients industry, prices and margins are under pressure.

Selecting a suitable trading partner

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

- An interesting website is the Cosmetics Retail Company (<http://www.cosmeticsretailscompany.it>), which gives information on the cosmetics products in Italy.
- Unipro, the Italian association of cosmetic industries (<http://www.unipro.org>) prepares detailed reports on the Italian cosmetics market on a yearly basis.
- 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>.
- Greentrade (<http://www.greentrade.net>) is an online marketplace serving as an important reference point for organic products. The sections "medicinal and aromatic plants", "herbs, spices and condiments", "cosmetics products" and "raw materials" are of relevance.

3 Trade: imports and exports

Imports

This section discusses Italy's imports and exports of natural ingredients. Please note that 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

Italy imports mostly vegetable derived oils, fats and waxes, making it the fifth largest EU importer. The country also plays an important role for vegetable saps and extracts and for raw plant material, being the fourth and third EU importer respectively. Its role in the other product groups is more limited, but imports are still substantial. Between 2004 and 2008, Italian imports of all product groups increased in terms of value. In the whole review period, imports of vegetable derived oils, fat and waxes increased by 17% annually, raw plant materials increased by 7.0% per annum, but vegetable saps and extracts by only 0.7% annually. Colouring matter and essential oils and oleoresins increased by 8.1% and 1.7% per annum respectively.

Developing countries, which play a substantial role on the Italian market, are the Philippines, India, China and Peru. However, the general role of developing countries is lower than the EU average, in particular for essential oils and oleoresins.

Imports by product group

Italy was the fifth largest EU importer of vegetable oils, fats and waxes, accounting for 8.0% of total EU imports and amounting to € 349 million / 247 thousand tonnes in 2008. This was considerably less than the leading importers such as Germany, The Netherlands and France. Imports, however, show a positive development with an increase of 17%, which is higher than

the EU average (14%). Developing countries were responsible for 47% of the total Italian supply of vegetable oils, fats and waxes. The most important developing country suppliers were the Philippines, Brazil and Ivory Coast. In terms of specific products, in 2008, Italy was the second largest importer of peanut oil in the EU, following France at a short distance.

Between 2004 and 2008, imports of peanut oil increased by 9.9% annually, amounting to € 52 million / 36 thousand tonnes in the latter year. Italian fixed fats and oil imports were the fourth largest in the EU and grew on average by 7.2% per year during the review period, amounting to € 103 million / 83 thousand tonnes in the latter year. Italy is the third largest importer of waxes with an average annual growth of 12% in the review period. Imports amounted to € 5.0 million / 1.3 thousand tonnes in 2008. Regarding cocoa butter, fats and oil Italy is the sixth largest importer with € 97 million / 22 thousand tonnes in 2008 with imports increasing by 24% annually. Imports of coconut oil increased by 16% per year, amounting to € 93 million / 104 thousand tonnes in 2008. During the review period, Italy was the fourth largest importer of coconut oil in Europe, of which developing countries accounted for 78%.

Table 3.1 Imports by and leading suppliers of ingredients for cosmetics to Italy (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	99	103	173	Intra-EU: The Netherlands (20%), France (7.8%), Belgium (5.0%), Germany (2.2%), Ireland (0.8%)	50%
	1.7	1.7	10	Extra-EU excl DC*: USA (1.4%), Russia (1.3%)	2.9%
	87	95	166	DC*: Philippines (11%), Brazil (9.6%), Ivory Coast (6.6%), Indonesia (5.3%), India (4.3%), Senegal (4.3%), Thailand (3.8%), Malaysia (1.0%), Chile (0.4%), Togo (0.3%)	47%
Vegetable saps & extracts	73	66	74	Intra-EU: France (26%), Germany (16%), Denmark (6.1%), Spain (6.1%), United Kingdom (6.1%)	67%
	10	8.8	9.9	Extra-EU excl DC*: Switzerland (2.7%), USA (2.6%), Israel (1.5%), Australia (1.4%), Japan (0.4%)	9.0%
	24	28	26	DC*: India (7.8%), China (5.2%), Sudan (3.0%), Indonesia (1.4%), Philippines (1.4%), Venezuela (0.8%), Pakistan (0.7%), Brazil (0.7%), Peru (0.6%), Madagascar (0.5%)	24%
Raw plant material	17	21	18	Intra-EU: France (10%), Germany (7.8%), The Netherlands (4.0%), Austria (2.6%), Poland (1.7%)	32%
	8.9	11	13	Extra-EU excl DC*: USA (19%), Japan (1.5%), Israel (1.2%), Bahamas (1.2%), South Korea (0.5%)	24%
	16	14	24	DC*: China (14%), India (6.0%), Tunisia (5.3%), Turkey (3.9%), Morocco (2.7%), Croatia (2.2%), Argentina (1.4%), Brazil (1.1%), Peru (1.0%), Egypt (0.8%)	43%
Essential oils & oleoresins	21	21	24	Intra-EU: United Kingdom (21%), France (20%), Germany (11%), The Netherlands (9.4%), Austria (4.6%)	70%
	1.9	1.7	2.1	Extra-EU excl DC*: USA (3.9%), Canada (0.6%), Switzerland (0.6%), Singapore (0.3%), Taiwan (0.2%)	6.0%

Product	Total 2004 € mln	Total 2006 € mln	Total 2008 € mln	Leading Suppliers in 2008 (Share in %)	Share %
	2.5	3.4	8.3	DC*: China (9.1%), Brazil (6.6%), Argentina (1.9%), India (1.9%), South Africa (1.4%), Indonesia (0.9%), Egypt (0.5%), Mexico (0.3%), Morocco (0.2%), Macedonia (0.2%)	24%
Colouring matter	11	9.1	14	Intra-EU: Spain (26%), France (16%), The Netherlands (14%), United Kingdom (10%), Germany (8.8%)	81%
	0.9	2.4	0.5	Extra-EU excl DC*: USA (2.5%), Hong Kong (0.2%)	3.0%
	4.0	3.4	2.7	DC*: Peru (7.0%), China (6.3%), Mexico (0.9%), Tunisia (0.8%), India (0.7%), South Africa (0.2%)	16%

Source: Eurostat (2009)

*DCs: Developing countries

Italy is the fourth largest importer of vegetable saps and extracts in the EU, after Germany, France and the UK, and is responsible for 7.7% of total imports. In 2008, Italy imported € 110 million / 27 thousand tonnes, an annual increase of 0.7% during the review period. Developing countries accounted for 24% of total imports, which is below the EU average. The main developing country supplier was India. In terms of specific products, Italy was the fourth largest importer of natural gums, resins, gum-resins and balsams in the EU in 2008. The country was responsible for 9.4% of total EU imports, amounting to € 17 million / 8.4 thousand tonnes, an annual decrease of 3.1%. Developing countries were the source of 37% of imports. Italy was the fourth largest importer of other vegetable saps and extracts in the EU. In 2008, the country was responsible for 7.5% of total EU imports, amounting to € 93 million / 19 thousand tonnes, an annual increase of 1.5%. Developing countries were the source of 21% of imports.

Italy is the seventh largest importer of essential oils and oleoresins in the EU, accounting for 4.3% of total EU imports, far less than France (26%) and the UK (19%). In 2008, imports totalled € 35 million / 3.2 thousand tonnes, signifying an annual increase of 8.1% since 2004. In 2008, developing countries accounted for 24% of total imports, with imports increasing by 35% during the review period. The most important developing countries suppliers were China and Brazil. At a product level, Italy is important for imports of peppermint oil, accounting for 9.2% of EU imports. Furthermore, it was of importance for lemon oil, other citrus fruits and extracted oleoresins. Between 2004 and 2008, imports of lemon registered an increase of 51% annually.

Germany and France are the leading importers of raw plant material in the EU, accounting respectively for 23% and 16% of total EU imports in 2008. Italy is the third largest importer of raw plant material in the EU, accounting for 10% of EU imports. In 2008, imports amounted to € 54 million / 14 thousand tonnes, an annual increase of 7.0% during the review period. Developing countries accounted for 43% of total imports in 2008. The most important developing country supplier was China, although it decreased its exports to Italy by 1.7% between 2003 and 2007. Imports of medicinal and aromatic plants amounted to € 51 million / 13 thousand tonnes in 2008, accounting for 11% of EU imports. Developing countries accounted for 45% of imports of medicinal and aromatic plants, with China as the largest developing country supplier. In 2008, Italy was the seventh largest importer of seaweed and algae in the EU, accounting for 4.3% of EU imports, amounting to € 3.0 million / 652 tonnes. Developing countries accounted for 11% of this, with China as the largest supplier in the group.

Italy is the seventh largest importer of colouring matter in the EU, accounting for 6.9% of total imports, far below Germany, The Netherlands and France. In 2008, Italy imported € 17 million

/ 5.5 thousand tonnes, a 1.7% annual increase during the review period. Developing countries accounted for 18% of total imports and the main developing country supplier was Peru.

Exports

Italy is the sixth largest exporter of vegetable-derived oils, fats and waxes in the EU. It accounted for 4.0% of total EU exports in 2008, amounting to € 102 million / 52 thousand tonnes, signifying an annual 15% increase during the review period. The most important export markets were Germany and Greece. In terms of specific products, in 2008, Italy was the third largest exporter of fixed vegetable fats and oils in the EU, responsible for 13% of total EU exports.

Italy is the fourth largest exporter of vegetable saps and extracts in the EU. In 2008, Italy accounted for 7.7% of total EU exports, totalling € 110 million / 27 thousand tonnes in 2008. The most important export markets were France, Germany and India.

In 2008, Italy was the fourth largest exporter of essential oils and oleoresins, exporting € 61 million / 3.6 thousand tonnes. Between 2004 and 2008, there was an increase in exports, by 10% annually. The most important export markets were France, Germany, Switzerland and the USA. In terms of specific products, Italy is the largest EU exporter of lemon oil (38% of total EU exports) and other citrus fruits oils (33%).

Italy is the tenth largest exporter of raw plant material in the EU. In 2008, Italy accounted for 4.1% of total EU imports, amounting to € 15 million / 2.8 thousand tonnes in the latter year. Between 2004 and 2008, Italy's exports of raw plant material had an average annual increase of 3.7%. The most important export markets were France and Germany.

In 2008, Italy was the eighth largest exporter of colouring matter in the EU, accounting for 5.3% of total EU exports. Between 2004 and 2008, Italy's exports of colouring matter increased slightly by 1.5% annually, totalling € 14 million / 2.4 thousand tonnes in the latter year. The most important export markets were Angola, USA, France, Germany and Spain.

Opportunities and threats

- + Imports of all product groups of natural ingredients for cosmetics to the Italian market increased during the review period, in particular vegetable derived oils, fat and waxes, essential oils and raw plant material.
- +/-As a major importer of natural ingredients, Italy can be an interesting market for developing countries. On average, between 2004 and 2008, imports from developing countries increased for all product groups, except for colouring matter. Nonetheless, compared to other large European markets, the importance of developing countries remains limited for most product groups, with the exception of raw plant materials market.
- +/-In 2008, in spite of the economic crisis, prices for essential oils increased strongly. For 2009, the value of essential oils is expected to stabilise. In general, imports of natural ingredients have increased during the review period. However, this strong increase could be related to an increase in price for most products, as imports in terms volume increased slowly, or even decreased, during the review period.
- +/-Vegetable derived oils, fat and waxes are more often applied as ingredients for biofuels and, consequently, subject to speculators. These developments could manipulate the value of vegetable oils, fats and waxes both positively and negatively. The price of vegetable (derived) oils could increase, signifying an increase in imports of these products in terms of value. On the other hand, the increase in value could attract buyers to look for other natural ingredients.
- +/-The Italian cosmetics ingredients market is competitive and showing limited growth. However, it is open to ingredients, which distinguish themselves from what is already available on the Italian market - active ingredients, increasingly organic products, and products with anti-ageing properties.

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 Italy. 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, exporter 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/porta1> - 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 Italy, you should be aware of the market access requirements of your trading partners and the Italian 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 Italy 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 Italy 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.

Even though large companies often have English-speaking personnel, the established language is Italian. It is preferable that export/sales personnel of your company are capable of speaking some Italian, as this will be highly appreciated by many Italian importers. 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 Italian 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.

- An Italian **trade association** which could be of interest is Unipro; Italian Association of Cosmetics Industries (<http://www.unipro.org>).
- An interesting **trade fair** is Cosmofarma in Rome, representing five sectors; Pharmaceuticals, Cosmetics, Natural Products, Nutrition and Dieting, Services and Laboratory (<http://www.cosmofarma.com>). The most recent venue of this fair took place in

Rome from the 8th to the 10th of May 2009. The same fair is expected in 2010 in the same period. The most interesting trade fair for the sector discussed in this report is SANA, the International Exhibition of Natural products, taking place in September 2009 in Bologna (<http://www.sana.it>).

- **Trade press** of interest is the World Directory Cosmetics Industry (<http://www.teknoscienze.com>).

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

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