EU MARKET SURVEY 2004

Natural ingredients for cosmetics

CBI
Centre for the Promotion of
Imports from developing countries

EU MARKET SURVEY 2004

NATURAL INGREDIENTS FOR COSMETICS

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In collaboration with
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TABLE OF CONTENTS

REPORT SUMMARY

This market survey provides exporters of natural ingredients for cosmetics with a wide range of facts, figures and information pertinent to the European Union (EU) market. It also includes a large number of references for additional research, primarily using the Internet. The survey is divided into two parts. Part A deals with EU market information including information, about the types of products used for natural ingredients for cosmetics, a description of the EU, consumption trends in the cosmetic industry, imports, trade structures, prices and EU market access requirements. Part B contains information about Export Marketing Guidelines, including information on how to carry out a market audit, company audit and develop an export marketing strategy. A summary of part A is given below:

The cosmetic ingredients discussed in this survey fall in the following groups:

- Vegetable oils, fats and waxes;
- Essential oils and oleoresins;
- Vegetable saps and extracts;
- Raw plant material;
- Natural colours.

Consumption and trends

No figures are available concerning the industrial demand for natural cosmetic ingredients in the European Union. However, the production figures of the EU companies manufacturing the cosmetic end-product can be used to give an indication of the consumption of cosmetic ingredients in the EU.

The EU is the world's largest producer of cosmetic products, with the USA and Japan following at a distance. The main EU producers are multinational companies like Unilever (The Netherlands/UK), L'Oreal (France), Wella (Germany), Sanofi (France), and Beiersdorf (Germany). Many of them operate across a wide spectrum, being involved in other sectors such as pharmaceuticals, chemicals, food and/or household products.

In 2003, the West European market for cosmetics and toiletry products showed a growthrate of 3.5 percent corresponding to € 58.1 billion. The leading EU markets for natural cosmetic ingredients are Germany, France, the United Kingdom, Italy and Spain. At the level of product groups, however, there can be other countries which are important markets. Spain, for example, is an important market for raw plant material and natural colours. In 2003, the five largest national markets – Germany, France, United Kingdom, Italy and Spain – accounted for 80.7% of the total Cosmetic and Toiletry market (also containing non-natural cosmetics) in the European Union. With the addition of The Netherlands and Belgium/Luxembourg, the seven biggest national markets currently cover 84.3% of the West European market.

Trends which have an impact on demand for natural personal care and cosmetic products (ten Kate & Laird, 1999), and consequently on the demand for ingredients include: increasing consumer sophistication and interest in all things natural; the entry of mass and prestige market companies and their large advertising budgets; changing demographics (ageing population); and increased demand for therapeutic products (cosmeceuticals).

Trade structure

Most companies source raw materials in dozens of countries. The material has usually passed through many hands before it reaches a manufacturing company, and most companies find they cannot obtain satisfactory details on its origin. Many do not consider this important, however, as long as the material meets their specifications and price requirements (ten Kate & Laird, 1999).

On the other hand, however, a number of partnerships has been created based on the sourcing of raw materials, often with the express purpose of contributing to environmental and social objectives, and sharing commercial benefits. Partnerships of this kind are increasingly common for alternative marketing campaigns.

Some leading industrial users have their own purchasing department, and major natural oil producers may be tempted to sell directly to industrial users, in order to get a better price for their oils. Nevertheless, traders and brokers still fulfil important functions, viz.:

- purchase of oils throughout the world or from specific geographic areas;
- analysis and quality control;
- rectification of the oil to fit the commercial standards;
- blending;
- sale to users.

Different types of traders can be distinguished. Enterprises based in the producing countries are mainly involved in the sale and export of local products: they usually deal in large quantities of few commodities produced locally. Enterprises based in consuming countries are concerned with imports and supply of the domestic market: they handle a wide variety of oils. Lastly, some merchant houses are specialised in international trade of large volume quantities.

EU trade and the role of developing countries

The box below presents the leading EU importers and suppliers of selected natural ingredients for cosmetics in 2002, of particular interest to exporters in developing countries.

Product	Leading EU importers (share in EU imports)	Share DCs (in € thousand)	Share DCs (in %)	Leading DC suppliers (% total value supplied by DCs)
Jasmine oil	France (80%)	4,848	**85%**	India (43%), Egypt (42%)
Coconut oil	Germany (37%), The Netherlands (23%)	557,245	**81%**	Indonesia (50%), Philippines (35%)
Vetiver oil	France (58%)	3,884	**75%**	Haiti (85%)
Peanut oil	France (35%), Italy (24%)	105,998	**75%**	Senegal (59%), Argentina (21%)
Geranium oil	France (64%)	6,618	**70%**	Egypt (52%), China (46%)
Lemon oil	UK (55%)	31,100	**60%**	Argentina (88%)
Lime oil	UK (45%)	8,854	**55%**	Mexico (65%), Peru (23%)
Other essential oils	France (33%), UK (18%)	136,301	**49%**	China (27%), Indonesia (16%)
Waxes	Germany (28%)	19,195	**48%**	Brazil (48%), China (29%)
Medic. & arom. plants	Germany (26%), France (17%)	127,519	**40%**	China (16%), India (13%)
Seaweed & algae	France (22%), Denmark (22%)	24,794	**38%**	Philippines (34%), Chile (20%)
Cocoa	Germany (25%), France	292,722	**32%**	Côte d'Ivoire (42%)

butter, fat & oil	(21%)			
Castor oil	France (20%), Germany (18%), Italy (17%)	120,098	**26%**	India (70%)
Colouring matter	Spain (12%), Germany (10%)	40,896	**24%**	Peru (33%), India (14%)
Oil of other citrus fruit	Germany (21%), Ireland (19%)	3,478	**16%**	Cuba (41%), Tunisia (16%)

DCs: Developing countries
Source: Eurostat (2003)

Opportunities for exporters

Opportunities for exporters in developing countries lie in the following product groups:

- Essential oils (geranium, jasmine and ylang ylang, citrus, vetiver, patchouili, sandalwood, mint oils, cedar wood, nutmeg and clove)
- Vegetable oils and butters (castor oil, coconut oil, peanut oil, sweet almond oil, cocoa butter, shea butter, illipe butter)
- Natural colours (indigo, cochineal, carmine, curcuma/turmeric, marigold and henna)
- Botanical ingredients (please also refer to EU Market Survey "*Natural Ingredients for Pharmaceuticals*")
- Plant extracts (cassia angustifolia, centella asiatica, tamarind)
- Organic cosmetic ingredients

CBI services

For information on current CBI Programmes and training & seminars, and for downloading market information and CBI News Bulletins, please refer to www.cbi.nl. Currently, CBI has an export development programme for companies that manufacture natural ingredients for pharmaceuticals and/or cosmetics. Other interesting CBI publications are the EU Market Survey "*Natural Ingredients for Pharmaceuticals"* and "*Food Ingredients for Industrial Use*".

INTRODUCTION

This document is a reference tool, therefore its most important starting point is the table of contents page! Although each section can be read as an individual section, we recommend that as a first step, to get an overview of the whole survey, you read pages 5-10. To supplement the information provided in this survey we also recommend that you have access to the Internet. We welcome any feedback you have about using this survey.

This CBI survey aims to provide information about exporting to the European Union for those companies producing and selling natural ingredients for cosmetics. The CBI market survey consists of two parts: EU Market Information and EU Market Access Requirements (Part A), and Export Marketing Guidelines (Part B). The layout of the survey is described below:

<table>
<tr><td colspan="2">Market Survey

Part A
EU Market Information and Market Access Requirements</td></tr>
<tr><td>EU Market Information (Chapters 1-8)
Product characteristics
Introduction to the EU market
Consumption and production
Imports and exports
Trade structure
Prices</td><td>EU Market Access Requirements
(Chapter 9)
Quality and grading standards
Environmental, social and health & safety issues
Packaging, marking and labelling
Tariffs and quotas</td></tr>
<tr><td colspan="2">Part B
Export Marketing Guidelines: Analysis and Strategy</td></tr>
<tr><td>External Analysis (market audit)
(Chapter 10)
Opportunities & Threats</td><td>INTERNAL ANALYSIS (COMPANY AUDIT)
(Chapter 11)
Strengths & Weaknesses</td></tr>
<tr><td colspan="2">Decision Making
(Chapter 12)

SWOT and situation analysis:
Target markets and segments
Positioning and improving competitiveness
Suitable trade channels and business partners
Critical conditions and success factors (others than mentioned)
Strategic options & objectives</td></tr>
<tr><td colspan="2">Export Marketing
(Chapter 13)

Matching products and product range
Building up a trade relationship
Drawing up an offer
Handling the contract
Sales promotion</td></tr>
</table>

Chapters 1 to 8 of Part A profile the EU market for Germany, France, the UK, Spain, Italy and The Netherlands. The emphasis of the survey lies on those products, which are of importance to developing country suppliers. The major national markets within the EU for those products are highlighted. Furthermore, statistical market information on

consumption, production and trade, and information on trade structure and opportunities for exporters is provided.

Chapter 9 subsequently describes the requirements, which have to be fulfilled in order to get market access for the product sector concerned. It is furthermore of vital importance that exporters comply with the requirements of the EU market in terms of product quality, packaging, labelling and social, health & safety and environmental standards.

After having read Part A, it is important for an exporter to analyse target markets, sales channels and potential customers in order to formulate export marketing and product strategies. Part B therefore aims to assist (potential) exporters from developing countries in their export-decision making process.

After having assessed the external (Chapter 10) and internal environment (Chapter 11), the (potential) exporter should be able to determine whether there are interesting export markets for his company.
In fact, by matching external opportunities and internal capabilities, the exporter should be able to identify suitable target countries, market segments and target product(s) within these countries, and possible trade channels for exporting the selected products (Chapter 12).

Chapter 13 subsequently describes marketing tools that can be of assistance in successfully achieving the identified export objectives.

The survey is interesting for starting exporters as well as well as exporters already engaged in exporting (to the EU market). Part B is especially interesting for more experienced exporters starting to export to the EU and exporters looking for new EU markets, sales channels or customers. Starting exporters are advised to read this publication together with the CBI's Export planner, a guide that shows systematically how to set up export activities.

PART A:

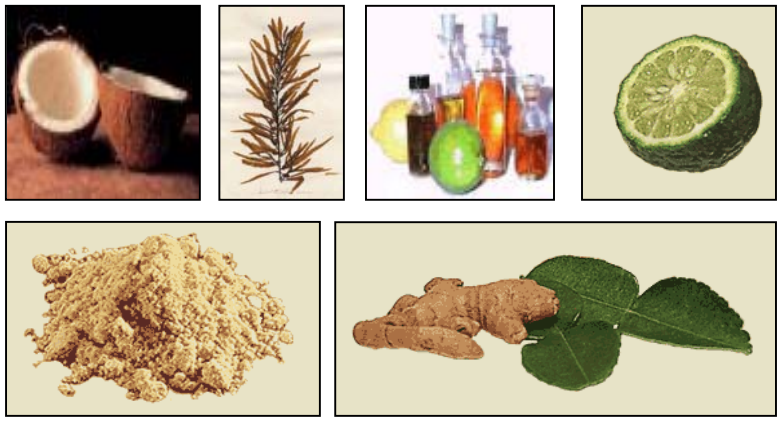
EU MARKET INFORMATION AND ACCESS REQUIREMENTS

1 PRODUCT CHARACTERISTICS

1.1 Product groups

The cosmetic ingredients discussed in this survey fall in the following groups:

- Vegetable oils, fats and waxes (castor oil, coconut oil, peanut oil, sweet almond oil, cocoa butter, shea butter, illipe butter)
- Essential oils and oleoresins (geranium, jasmine citrus, vetiver, patchouili, sandalwood, mint oils, cedar wood, nutmeg and clove)
- Vegetable saps and extracts (gums, resins, other vegetable saps and extracts)
- Raw plant material (medicinal and aromatic plants, seaweed and algae)
- Natural colours (indigo, cochineal, carmine, curcuma/turmeric, marigold and henna)



For a list of botanical ingredients that could be used in cosmetics and toiletries, please refer to the CTFA Internet site (under consumer information): http://www.ctfa.org/Template.cfm?Section=Botanicals&template=/ContentManagement/ContentDisplay.cfm&ContentID=1489

It is important to note, however, that most of the ingredients are not only traded for the cosmetic industry, but also find their way to the food and pharmaceutical industries. For more information on these products, please also refer to CBI's surveys "*Natural Ingredients for Food Products*" and "*Natural Ingredients for Pharmaceuticals*".

1.2 Customs/statistical product classification

On January 1, 1988, a unified coding system was introduced to harmonise the trading classification systems used worldwide. This system is called the Harmonised Commodity Description System (HS) and was developed by the World Customs Organisation (WCO). The system comprises about 5,000 commodity groups; each identified by a six-digit code, arranged in a legal and logical structure and is supported by well-defined rules to achieve uniform classification. The system is used by more than 179 countries and economies as a basis for their Customs tariffs and for the collection of international trade statistics. After the six-digit code, countries are free to use further subheadings. In the trade data of Eurostat, an 8-digit system is used. Most codes, however, end with two zeros, i.e. effectively only using 6 digits. In some countries, even 10 digits are sometimes used.

Most of the natural ingredients used in the cosmetic industry do not have an exclusive HS Code and are incorporated in a broader product code. A four to six-digit list of the main product groups is presented below. These product groups can be further divided into sub-groups to the extent of ten digits.

Product description	HS code
Vegetable (and animal) derived oils, fats and waxes	
Peanut oil & its fractions (not chemically modified)	1508
Coconut, palm kernel or babassu oil (not chemically modified)	1513
Fixed vegetable fats and oils and their fractions (e.g. jojoba oil, castor oil, tung oil and sesame oil)	1515
Animal or vegetable fats & oil, hydrogenated, interesterified	1516
Waxes (vegetable, bee and other insects)	1521
Cocoa butter, fat and oil	1804
Essential oils and oleoresins	**3301**
Bergamot	3301 11
Orange	3301 12
Lemon	3301 13
Lime	3301 14
Of citrus fruit	3301 19
Geranium	3301 21
Jasmine	3301 22
Lavender	3301 23
Peppermint	3301 24
Other mints	3301 25
Vetiver	3301 26
Other essential oils1	3301 29
Resinoids	3301 30
Extracted oleoresins	3301 90
Vegetable saps and extracts	**13**
Lac; natural gums, resins, Gum-resins and balsams	1301
Other vegetable saps & extracts	1302
Raw plant material	**12**
Medicinal and aromatic plants	1211
Seaweed and algae	1212 20
Colouring matter of vegetable or animal origin	**3203**

1 The product group other 'essential oils' includes amongst others the following oils: anise, attar of roses, bay leaf, cananga, caraway, cassia, cedarwood, cinnamon, citronella, clove, eucalyptus, ginger grass, gyusho, ho, lemongrass, linaloe, niaouli, nutmeg, onion or garlic, orris, palmarosa, patchouili, petitgrain, rosemary, sandalwood, sassafras, thyme, ylang-ylang.

2 INTRODUCTION TO THE EU MARKET

The European Union (EU) is the current name for the former European Community. Since 1 January 1995 the EU has consisted of 15 member states. Ten new countries joined the EU in May 2004. They are the Czech Republic, Estonia, Slovak Republic, Cyprus, Latvia, Lithuania, Malta, Slovenia, Poland and Hungary. Negotiations are in progress with a number of other candidate member states. In this survey, the former EU-15 will be referred to as EU, unless otherwise stated.

Table 2.1 Population and GDP of selected and new EU countries, 2003

Countries	**Population** *million*	**Age 15-64** *%*	**GDP (€)** *estimation 2003*
Selected EU countries			
Germany	82.4	67.0	24,407
France	60.4	65.1	24,318
UK	60.3	66.3	24,495
Italy	58.1	66.9	23,699
Spain	40.3	68.0	19,455
The Netherlands	16.3	67.8	25,291
New EU countries			
Poland	38.6	70.0	9,727
Estonia	13.4	67.5	10,877
Czech Republic	10.2	70.9	13,884
Hungary	10.0	69.0	12,292
Slovakia	5.4	70.8	11,761
Lithuania	3.6	68.4	9,904
Latvia	2.3	69.2	8,931
Slovenia	2.0	70.6	16,183
Cyprus	0.8	67.4	14,149
Malta	0.4	68.5	6,263
Currencies used in EU-15			€, UK £, DKr, SKr
Exchange (2003)			€ 1 = US$ 1.13

Source: The World Factbook 2003

Within Western Europe – covering 15 EU member countries, Iceland, Liechtenstein, Norway and Switzerland – more than 20 million enterprises are active. Small and medium-sized enterprises (SMEs) accounted for the lion's share. In 2000, the average turnover per enterprise of SMEs and large enterprises amounted to € 600,000 and € 255 million respectively.

EU Harmonisation

The most important aspect of the process of unification (of the former EC countries), which affects trade, is the harmonisation of rules in the EU countries. As the unification allows free movement of capital, goods, services and people, the internal borders have been removed. Goods produced or imported into one member state can be moved around between the other member states without restrictions. A precondition for this free movement is uniformity in the rules and regulations concerning locally produced or imported products. Although the European Union is already a fact, not all the regulations have yet been harmonised. Work is in progress in the fields of environmental pollution, health, safety, quality and education. For more information about harmonisation of the regulations, visit AccessGuide, CBI's database on non-tariff trade barriers at www.cbi.nl/accessguide

Monetary unit: Euro (€)
On 1 January 1999, the euro became the legal currency within twelve EU member states: Austria, Belgium, Finland, France, Germany, Greece, Italy, Ireland, Luxembourg, The Netherlands, Spain, and Portugal. In 2002, circulation of euro coins and banknotes replaced national currency in these countries. Denmark, the United Kingdom and Sweden have decided not to participate in the euro.

The most recent Eurostat trade statistics quoted in this survey are from the year 2002. The € is the basic currency unit used to indicate value in this market survey.

Trade figures quoted in this survey must be interpreted and used with extreme caution. The collection of data regarding trade flows has become more difficult since the establishment of the single market on 1 January 1993. Until that date, trade was registered by means of compulsory Customs procedures at border crossings, but, since the removal of the intra-EU borders, this is no longer the case. Statistical bodies like Eurostat can no longer depend on the automatic generation of trade figures. In the case of intra-EU trade, statistical reporting is only compulsory for exporting and importing firms whose trade exceeds a certain annual value. The threshold varies considerably from country to country, but it is typically about € 100,000. Consequently, although figures for trade between the EU and the rest of the world are accurately represented, trade within the EU is generally underestimated.

Furthermore, the information used in this market survey has been obtained from a variety of different sources. Therefore, extreme care must be taken in the qualitative use and interpretation of quantitative data, both in the summary and throughout the text, as also in comparisons of different EU countries with regard to market approach, distribution structure, etc.

Table 2.2 Exchange rates of EU currencies in US$, 1998-2004

Country	Currency	1999	2000	2001	2002	2003	April 2004
European Union	€	1.063	0.920	0.900	0.946	1.125	1.176
Denmark	Dkr	0.14	0.12	0.12	0.13	0.15	0.16
Sweden	Skr	0.12	0.10	0.10	0.10	0.12	0.13
United Kingdom	GB£	1.61	1.52	1.44	1.50	1.63	1.82

Source: CBS Statline

Selected countries
Germany, France, UK, Spain, Italy and The Netherlands are highlighted in this survey, due to their important role as importers and consumers of natural ingredients for cosmetics. Besides the six selected countries, attention is paid to main developments in the accession countries (10 new EU countries i.e. Poland, Hungary, Czech Republic, Slovakia, Lithuania, Estonia, Slovenia, Malta and Cyprus).

- For more information on the EU market, please refer to the CBI manual *"Exporting to the European Union"*.

3 INDUSTRIAL DEMAND

3.1 Market size

No figures are available concerning the industrial demand for natural cosmetic ingredients in the European Union. One of the underlying problems is that most of the ingredients are also traded for other end-users (e.g. the food and pharmaceutical industries). The production figures of the EU companies manufacturing the cosmetic end-product can, however, be used to give an indication of the consumption of cosmetic ingredients in the EU.

The EU is the world's largest producer of cosmetic products, with the USA and Japan following at a distance. The main EU producers are multinational companies like Unilever (The Netherlands/UK), L'Oreal (France), Wella (Germany), Sanofi (France), and Beiersdorf (Germany). Many of them operate across a wide spectrum, being involved in other sectors such as pharmaceuticals, chemicals, food or household products.

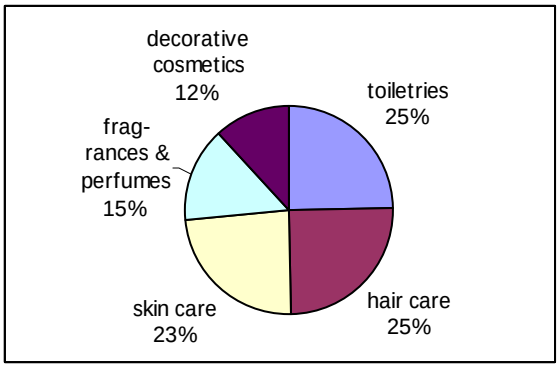
The global market for cosmetics and toiletries in 2002 was valued at € 201 billion, indicating an increase of 4.8 percent compared to 2001. Western Europe represents a massive share of over 31 percent of the global cosmetics and toiletries market. Spain, Portugal and Ireland were the most dynamic countries in the period reviewed. North America takes a close second place, with almost 25 percent of total global sales and saw the slowest growth in 2002. At 23 percent in 2003, the Asia Pacific regional share comes in third. Latin America sits in fourth place with a 9.3 percent global share and experienced the fastest growth, thanks to the stabilisation of some key economies. The rest of the world represents 12 percent of the global market. Eastern Europe is one of the fastest growing markets, with rising levels of disposable income among consumers (Euromonitor).

The principal market drivers were: growing consumer concerns about health, a sense of well-being and looking good. Men's grooming products were a particular beneficiary of this trend. Older consumers were also mentioned as a core target group, many of who are increasingly affluent and keen to spend more on maintaining a youthful appearance. Other trends include interest in "natural", spa-at-home and detox products as people look for ways to feel good about themselves and escape from the stresses of everyday living. Please refer to Section 3.3 for more detailed information on trends.

EU cosmetic and toiletry market

Toiletries are the leading product group within the retail sales of cosmetics and toiletries, followed by hair care, skin care, perfumes & fragrances and decorative cosmetics (see Figure 3.1).

Figure 3.1 European market share toiletries and cosmetics, 2003 % of total sales



Source: Colipa (2004)

In 2003, the West European market for cosmetic and toiletry products continued its upward momentum. The growthrate of 3.5% corresponding to € 58.10 billion retail sales prices was recorded as being slower than the 4.8% in 2000, but almost equivalent to the 3.6% of 2002. However, the increase in the cosmetics market in 2003 was higher than the growth rate of the gross domestic product for Western Europe (1%).

In 2003, the five largest national markets – Germany, France, United Kingdom, Italy and Spain – accounted for 80.7% of the total Cosmetic and Toiletry market in the European Union. It is therefore not surprising that the trends in these countries for a large part determine the trends in Western Europe as a whole. With the addition of The Netherlands and Belgium/Luxembourg, the seven biggest national markets currently cover 84.3% of the West European market.

Table 3.1 EU market of Cosmetics & Toiletry, 2001-2003, Retail Sales Prices (RSP) and Manufacturing/Ex-Factory Sales Prices (MSP), in million €

Country	2001		2002		2003		2002-2003 %	
	RSP	MSP	RSP	MSP	RSP	MSP	RSP	MSP
Germany	11,131	7,181	11,086	7,153	11,248	7,257	1.5	1.5
France	9,522	5,951	10,048	6,280	10,386	6,491	3.4	3.4
Italy	7,958	5,121	8,014	5,167	8,317	5,359	3.8	3.7
Spain	5,559	3,475	5,927	3,705	6,384	3,990	7.7	7.7
The Netherlands	2,242	1,250	2,362	1,321	2,424	1,354	2.6	2.5
Belgium/Luxembourg	1,485	833	1,572	881	1,651	925	5.0	5.0
Greece	1,091	787	1,173	845	1,218	878	3.8	3.9
Austria	1,116	657	1,160	682	1,190	700	2.6	2.6
Portugal	972	638	1,020	668	1,040	678	2.0	1.5
United Kingdom	1,405	922	1,474	965	1,503	980	3.6	3.6
Sweden	154	101	162	106	165	107	6.6	6.5
Finland	592	329	618	344	641	355	3.7	3.2
Ireland	456	268	500	294	514	303	2.8	2.8
Denmark	739	36	67	40	69	41	3.2	3.2
EU-total	**44,422**	**27,549**	**45,183**	**28,451**	**46,750**	**29,418**	**3.7**	**3.9**

Source: Colipa (2004)

Germany, the largest European market, registered a positive trend (1.5%) in 2003. Italy, after registering a low increase rate of (1.0%) in 2002, grew by 3.8%. Spain (7.7%), Sweden (6.6%) and Belgium/Luxembourg (5%) recorded growth rates well above the European average.

The most important characteristics of the selected individual EU consumption markets and some of the new EU member countries for cosmetics and toiletries, according to Euromonitor (2004) and Colipa (2004), are listed below. Please note, that Euromonitor and Colipa have different definitions of the cosmetics and toiletry market and, consequently, their data could differ.

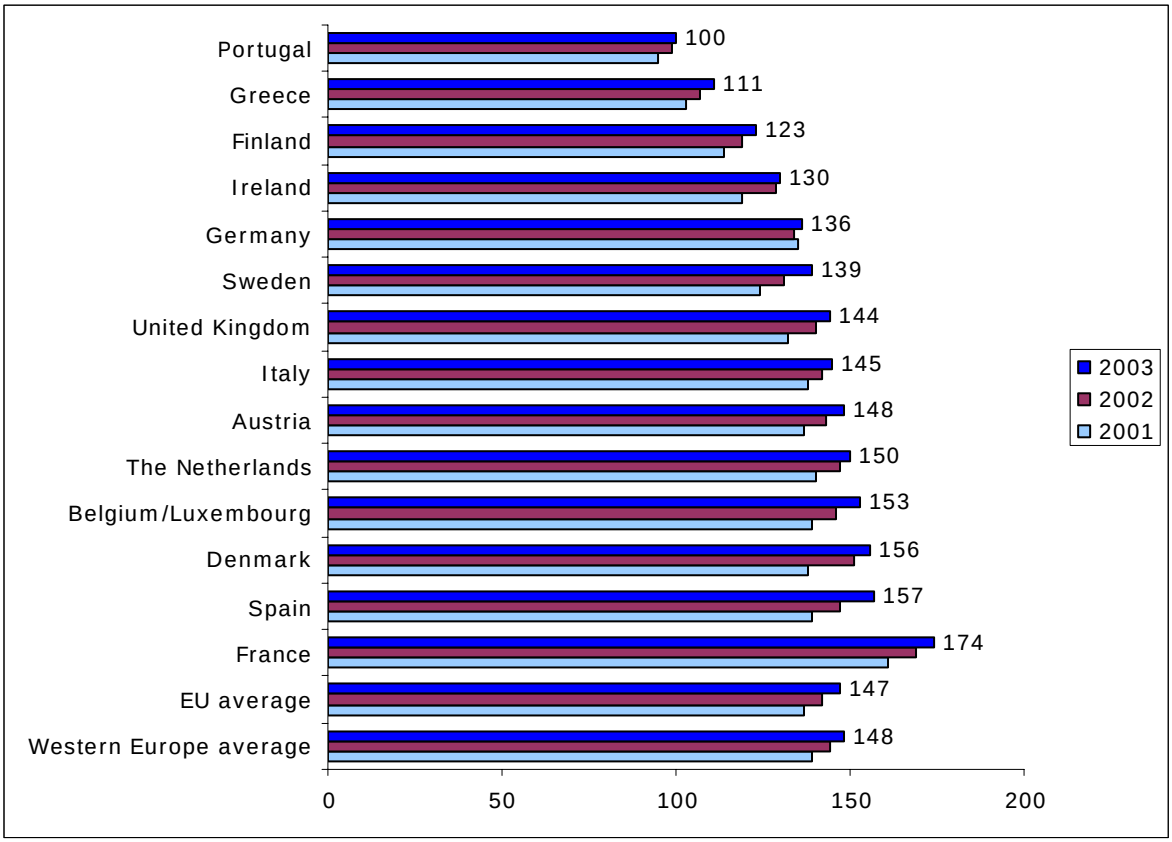
Germany

- Germany continued to show the 3rd year of economic stagnation with zero growth of GDP. However, after a market decrease of -0.4% in 2002, Cosmetic & Toiletry sales showed a moderate growth of 1.5% in 2003. The 2003 recession greatly affected day-to-day spending as consumers turned to private labels and discounters. Fragrances, bath and shower products suffered most from the drop in prices. Depilatories performed extremely well. Consumer spending in 2003 was influenced

by “wellness”. While overall spending decreased, more money was spend on products perceived to benefit health, mainly established brands.

- Some product categories profited from the very hot summer: Hair Care, Skin Care, Decorative Cosmetics and deodorants. Bath & shower as well as oral care products suffered again from discounts and private labels.
- The ageing population drove the market for anti-ageing products. Anti-wrinkle creams and other products fighting the signs of age became a mass market in recent years, while media created awareness of other “problems”, like cellulite and stretch marks. Convenience and ease of application drove sales of facial cleansing wipes, compact deodorants and fuss-free depilatories during the review period.
- The German cosmetics market has three large producers: L’Oreal, Beiersdorf and Schwarzkopf & Henkel. Private labels grew in importance thanks to improved quality and competitive prices, mainly in sun care, baby skin care, and bath and shower products.
- Although an economic upturn is expected in Germany, the coming years will witness limited growth of sales of cosmetics and toiletries. Added-value products, especially those promoting “wellness and beauty”, and private label brands will grow.

Figure 3.3 EU per capita consumption of cosmetics and toiletries, 2001-2003 in €



Source: Colipa (2004)

France

- Cosmetics and toiletries constitute a mature market in France, especially shampoo, women’s deodorants and perfume. The economic downturn of recent years appears to have had little impact on sales of cosmetics and toiletries, as further segmentation and continued sophistication boosted sales by 5 percent to almost €11 billion in 2003.
- Growth is sustained by skin care, personal hygiene (bath and shower products, deodorants and hair care) and men’s grooming products. Best performing were sun

care, depilatories, men's grooming products, skin care and oral hygiene with a 7 percent growth. Colour cosmetics, fragrances and baby care grew only 2 percent.

- The French market for cosmetics and toiletries is mature, but growth can be generated by offering value-added products and continued segmentation. Young seniors, a target group in marketing, have disposable income to buy youth and vitality products. Young men and young female teenagers are also heavily targeted as they have high fashion and beauty budgets and are eager to follow trends. The emergence of sensory marketing is evident through ergonomic new product designs, therapeutic scents and sensual textures.
- The market is characterised by a number of long established brands, benefiting from large R&D and promotion resources. L'Oreal remains the undisputed leader.

United Kingdom

- The UK market for cosmetics and toiletries grew 3 percent in 2002 and 5 percent in 2003, driven by skin care (mainly nourishers and anti-agers, it accounts for 18.2% of total sales and is showing growth of 6.7%) and hair care (which accounts for 26.1% of total sales and is showing growth of 6.3%). Fragrances and colour cosmetics are static, with increases of 0.3% and 0.9% respectively. The most dynamic sectors are the relatively small baby and sun care sectors. Baby care is growing by 11 percent due to strong product development, with sun care driven by a hot summer and self-tanning. Strong innovation caused impressive growth in deodorants.
- The market is fragmented with no company commanding a market share of over 10 percent, while all major players except Gillette are seeing increases in their shares. The largest producers are L'Oréal, Lever Fabergé and Proctor & Gamble. The main distribution channels are pharmacies and drugstores, with 40 percent of value sales. Supermarkets are increasing their market share through price discounting, mainly in commodity cosmetics and toiletries.
- Growth will amount to 10 percent in the coming years, thwarted by low pricing and discounting by supermarkets. The commodity sector, like bath and shower products, deodorants and hair care, will be hardest hit. Products that do not rely on supermarkets, like colour cosmetics, will continue to grow. Men's hygiene, oral hygiene and depilatories, will grow strongest, by around 30 percent.

Italy

- After years of sustained growth, interrupted by a significant slowdown in 2002, the Italian cosmetic and toiletry market grew again by 3.8% achieving a volume of 8,316 million euro. Toiletries are performing better than cosmetics, caused by favourable underlying trends.
- Perfumery has been badly hit by the crisis in premium product sales, with consumers moving to mass goods. This is not just due to price consciousness: sales through herbal shops and pharmacies are increasing, as the quality perceived is higher for products bought here. Except for prices, producers are increasingly focussing on transforming "mass" products into "upper mass" through packaging, advertising and marketing strategies. L'Oréal performed best in this respect, increasing its market share. Another large producer is Proctor & Gamble.
- Value sales have increased to show larger growth for the 2003-2008 period, hampered by negative economic conditions until 2005, the maturity of key toiletries sectors and the shift towards mass products.

Spain

- In 2003, the Spanish value sales of cosmetics and toiletries increased by 5.6 percent, slowing down from earlier years. Strongest growth was recorded for baby care, depilatories and deodorants, advancing 8.9%, 7.7% and 7.4% respectively. A hot summer caused large increases in the sales of deodorants, sun care products and depilatories. Cosmetics and fragrances grew much less. Manufacturers are increasingly focussing on male consumption in colour cosmetics and hair care. The

overall trend in the sector is towards added-value products, causing the development of a semi-premium segment offering premium products at lower prices.
- The increase in hours worked per week reduces the possibility of consumers to shop during the week, and concentrates shopping on one day in the week. This boosts shopping at hypermarkets and their self-service counters.
- From 2003 to 2008, the market is expected to grow by 10.8 percent, representing a further slowdown. Sun and skin care are expected to show most growth and oral hygiene and fragrances the least. As the number of households with a double income and no kids grows, so will sales of added-value products.

The Netherlands
- The Dutch market for cosmetics and toiletries grew by 6.5 percent in 2003, less than previous years, due to a recession. The industry promoted value-added and functional products, while consumers were maintaining expenditure on products contributing to health and well-being. This consumer trend was driven by increased promotion and mainly caused increases in depilatories, skin care and oral hygiene.
- Emphasis on energy, stress and balance in marketing of bath, shower and skin care products were aimed to reach busier consumers. Nourishing crèmes and age-retarding agents complemented with natural scents are increasing their popularity among older generation. Most product introductions concerned extensions of existing brands, allowing for faster identification.
- Dutch women were targeted with promotion focussing on looks and effect, creating value growth of colour cosmetics and hair care. The awareness of the personal image is increasingly transferred to men, shown by growth in male skin care products.
- Drugstores are the main distribution channel, due to their wider assortment. Supermarkets failed in their promotional efforts and product choice, while consumers switched to major drugstore chains with their weekly promotional activities.
- The 2003 to 2008 period will witness slower growth, at around 19 percent. High sector sophistication and a stable consumer base are the main hampering factor.

New EU countries
- The market for cosmetics and toiletries in the ***Czech Republic*** is significantly fragmented, with many international and domestic companies competing for market share. In the Czech Republic, skin care is the most dynamic sector, recording 29% constant value growth between 2002 and 2003. The Czech cosmetics and toiletries market as a whole is expected to grow annually at 5% in constant value terms over the forecast period.
- The Hungarian market for cosmetics and toiletries products grew by 7.6% in constant value terms on the previous year in 2003, and by 21% on 1998. Colour cosmetics and skin care products expanded significantly (by 12% or more in constant value terms during 2003) and deodorants saw high constant value growth in 2003, due to greater usage among men. The cosmetics and toiletries industry has a bright future in ***Hungary*** due to increased consumer spending capacity and changing lifestyles.
- In 2003, the cosmetics and toiletries market in ***Poland*** was characterised by a constant value growth rate estimated at zero, resulting from recession in Poland and the resulting low disposable income among Polish consumers. Sales declined in constant value terms in oral hygiene, baby care, deodorants, hair care and men's grooming products. The forecasts regarding the Polish cosmetics and toiletries market are relatively positive. In addition, the most dynamically developing sectors will be depilatories, oral hygiene and sun care, because of their undeveloped character.

Table 3.2 The World's Top 20 Beauty Companies in 2003, ranked by revenues from beauty products only, in € billion

Company	revenues in € billion	Company	revenues in € billion
1. L'Oreal	1.8	11. Kao Corporation	9.9
2. Procter and Gamble	1.7	12. Limited Brands	7.5
3. Unilever	1.7	13. Kanebo	5.0
4. Shiseido	1.7	14. Colgate-Palmolive	3.6
5. Estee Lauder Cos.	1.5	15. LVMH	3.5
6. Avon Products	1.4	16. Henkel	2.9
7. Johnson & Johnson	1.4	17. Boots	2.7
8. Beiersdorf	1.3	18. Coty	2.4
9. Wella	1.1	19. Revlon	2.3
10. Alberto Culver	1.1	20. Mary Kay Inc.	1.9

Source: WWD Beauty 100 2003

Green cosmetics

According to Retail Intelligence, the market for "green" cosmetics in Germany is growing by 10-20% annually. Whereas the market was until recently mainly in the hands of specialist vertical chains (e.g. The Body Shop and Yves Rocher), other suppliers are now moving towards mainstream retailers to target younger Germans more effectively. In Italy, pharmacies are selling more cosmetics. These tend to be higher priced and are markets using pseudo-clinical campaigns. A lack of consumer protection law in Italy makes it possible for claims to be made for cosmetics that would be illegal in many other countries. Another growth area is the *erobisteria* segment. These stores sell herbal remedies and have recently launched skin care and cosmetic ranges. The number of these stores has increased significantly during the last three years. In Spain, Antonio Puig is involved in pharmaceutical channels in a joint venture with the leading Spanish laboratory, Dr. Esteve, to produce a line of personal care products. In the United Kingdom, trends towards a natural look, towards lighter fragrances based on floral notes and towards scientifically formulated skin care preparations are likely to continue (Retail Intelligence 2001). The report Consumer Goods Europe, Sector Review: Fragrances and Cosmetics, March 2001 by Retail Intelligence is available at the Business Centre of CBI.

Cosmeceuticals

In 1999, the leading EU markets for cosmeceuticals2 in the EU were Germany (€ 2.3 billion), France (€ 0.8 billion), Italy (€ 647 million), the United Kingdom (€ 489 million), and Spain (€ 426 million). The major growth markets were Germany (13.6%) and Spain (13.4%), followed by Italy (8.8%), UK (7.6%), and France (3.6%). Intense promotion by major manufacturers such as Beiersdorf and L'Oreal has led facial skin care to become the largest sector of the market (accounting for a 46.1% of total sales in 12 major markets around the world).

The drive to develop cosmeceuticals is often strongest among companies that operate simultaneously in both cosmetics and the pharmaceutical field for whom research, development and marketing crossovers can be most effectively harnessed. Companies like Japan's Kanebo, Aventis of France and Germany's Henkel have major interests in both sectors, and they are perceived as leaders in this sector.

2 Cosmeceuticals are typical cosmetic-pharmaceutical hybrids intended to enhance the health and beauty of skin (www.cosmeceuticals.net).

Herbals are gaining increasing popularity in the cosmeceutical industry. Please refer to Chapter 5 for herbals that are acquiring prominence.

If you visit www.cosmeticsbusiness.com under Cosmetics Market Research, you can purchase a series of twelve major reports on the world's largest manufacturers and marketers of cosmetics and toiletries products. However, you should be aware that the reports all-together cost £ 2,500 (€ 3,581).

Natural cosmetic products

Natural personal-care products accounted for € 1.05 billion in the 1996 global personal-care market. By 1997, this figure had grown to € 2.1 billion. This market is growing rapidly, by an estimated average annual growth of 8-25 percent. In contrast, the mainstream, largely synthetic or petrochemical ingredient-based market segment of this industry on average increases by 3-10 percent.

The natural component is more significant in some product categories than others are. In 1997, 38 percent of USA skin care products were labelled natural, 23 percent of the hair products, and 12 percent of bath items though only 2 percent of cosmetics. There is a trend toward "wellness" in that ingredients include vitamins, vegetables and "comfort" food such as chocolate.

According to Ten Kate and Laird, the natural segment of the personal care and cosmetics industry is extremely difficult to characterise. The size and approach of the companies differ considerably. Many companies – small and large alike - include a tiny amount of botanical ingredients in their products primarily for marketing benefits, and with no intended contribution to the products' efficacy. Other companies, usually small to medium size, aim to use 100 percent natural ingredients in their products, replacing those of artificial or petrochemical origin. These companies operate under corporate policies prioritising naturalness, and sometimes wider environmental and social concerns.

The number of small and large companies entering the market of natural products is on the rise, and during the last few years, there has been a massive entry into this arena by the large mainstream manufacturers.

Growth in the natural personal care and cosmetics market is global. For example, in South East Asia, several local manufacturers have successfully introduced new products with plant extracts like cucumber, apricot, ginseng, iris, and aloe, and are marketing brands in competition with overseas companies like the Body Shop.

3.2 Market segmentation

The market for cosmetic ingredients can be divided into two main segments:

A Processing industry

1. Herbal extraction houses (extraction, evaporation, juicing, distillation, fermentation, purification, drying, blending, granulation, grinding)
2. Milling operation (cutting, sifting, powdering, blending, packing)
3. Essential oil distillers (associated with a herb farm or mobile distillation units)
4. Farms (cultivation, drying, milling, sieving, density adjustment, distillation, extraction, juicing)
5. Nut and seed oil producers (cold pressing, expeller pressing, CO2 super critical extraction, de-fatting, etherification, hydrogenation, refining, transisomerisation)

6. Wholesale distributors with value-add capabilities (blending, milling, sieving, density adjustment, formulation, granulation, particle engineering, trituration, contract manufacturing)

B End-product manufacturers

1. Natural cosmetic and cosmeceutical

- Bath products
- Aromatherapy bath products
- Bath milks and oils
- Herbal baths (sacs, salts (with essential oils) or effervescent tablets)
- Shower and bath gels
- Soaps

2. Beauty and personal care product manufacturers

- Decorative (eye and facial makeup, nail polishes, lipsticks, tattoos)
- Deodorants
- Oral care (chewing sticks with essential oil, dental floss with essential oil, mouthwashes, herbal tooth gel and toothpaste)
- Skin care (skin conditioners, gels, lotions and creams, masks, massage oils, moisturizers, toners)
- Shaving products (shaving cream, after-shave lotion)
- Suntan and sunscreen products

3. Hair care product manufacturers

- Hair colouring products
- Hair growth products
- Herbal shampoos, conditioners, oils, rinses
- Styling gels

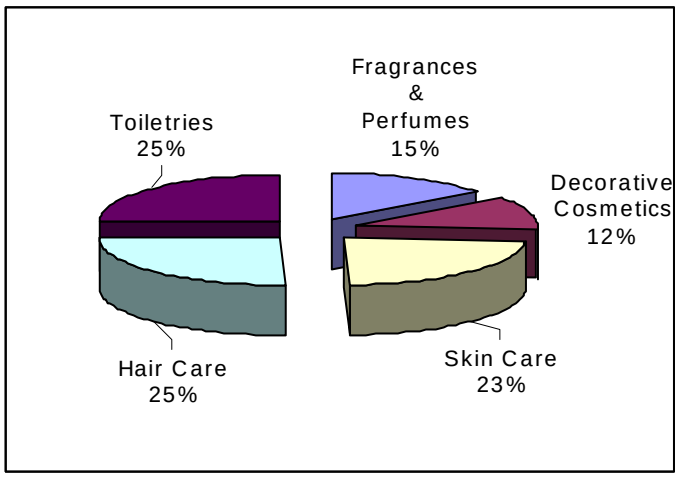
4. Perfume and fragrance product manufacturers

5. Wound healing, injury, pain relief drug, cosmetic product manufacturers

- Herbal balms, distillates, gels, liniments, ointments, plasters, salves

Figure 3.4 shows the EU market share of the main product groups according to Colipa. Please note that natural cosmetic products are not separately included in this figure.

Figure 3.4 EU market share by product category (%), in €, manufacturing sales price



Source: Colipa (2004)

The processing industry buys raw materials and processes them before selling them to the end-product manufacturers. Fragrance houses, for example, use essential oils to create fragrance formulae that are used in the production of perfumes. End-product manufacturers, like the perfume industry, produce the final products as they are found in the consumer market.

The market is also segmented according to type of ingredient such as essential oils, vegetable oils and plant extracts. There are buyers who are only interested in one type of ingredient, while others are active in the whole range of ingredients. Many of the EU importers have an Internet site, where interested parties can find more information on the field in which these importers are active.

For addresses of relevant organisations and importers, please refer to CBI's Internet Site. Please note that contact details of importers are only available for exporters in developing countries including in the Company Matching Database of CBI. However, the "link plaza" (http://www.cbi.nl/show.php?file=linkplaza.html) provides relevant links to directories with addresses of importers.

3.3 Consumption patterns and trends

Principal market drivers:
- Greater per capita expenditure in countries with highly developed markets
- Growing awareness of personal well-being
- Ageing and richer population
- Interests in natural ingredients
- Trading up to higher-priced, added-value products
- Product specialisation

The market continued to benefit from growing global consumer concerns about health, a sense of well-being and looking good, thanks to burgeoning media focus on these issues. Men's grooming products have been a particular beneficiary of this. Interest in natural, spa-at-home and detox products and more natural ingredients being used such as plant extracts, herbs, vitamins and food ingredients has shown upward direction.

Because of the increased attention on natural ingredients, there has also been greater consumer interest in scientific data on efficacy, functionality and benefits of a natural ingredient. It is not enough to want to use a natural ingredient because it is natural and might help with the marketing. It is now also important that this natural ingredient has some functional benefit.

In the search for new functional natural ingredients, companies are investigating plant extracts for anti-oxidant properties and ingredients that combat signs of ageing, again in response to consumer demand.

Another interesting area is the development of cosmetic products containing ingredients more familiar as health ingredients. Some companies in their cosmetic products now also use for example Co-Enzyme Q10, a food supplement taken because it is an anti-oxidant that can boost the immune system. This is related to the view that what is good for you on the inside may also be good for you on the outside.

Important top-selling natural ingredients today and likely in the next five years are Echinacea, St Johns Wort and Kava. Other important botanicals include: Gingko, Ginseng, Valerian, Goldenseal, and Garlic and European companies have had continued success with Hawthorn and Chamomile.

Trends (largely based on ten Kate & Laird, 1999) that have an impact on the demand for natural personal care and cosmetic products, and consequently the demand for cosmetic ingredients, are described below.

Consumer level

There is increasing consumer sophistication and interest in all things natural. Consumers are calling, across sectors, for healthier and more natural products. Increased consumer sophistication and awareness of ingredients, performance and health benefits are changing the personal care and cosmetics industry. The trend is veering away from products that superficially enhance beauty but have no biological effect, to 'therapeutic' products so-called cosmeceuticals that might, for example, repair damaged tissues, smooth, protect from the sun, and moisturise. This has led to increased use of new, active ingredients, including natural products with defined constituents and specific biological effect.

Aromatherapy can be grouped under the trend towards 'therapeutic' products. Aromatherapy is the use of essential oils, obtained from plants, to promote balance and harmony between mind and body. It can be used in a variety of different ways: massage, bath, shower, inhalation, burner, perfume, lotion etc. Next to aromatherapy, spa inspiration and traditional recipes of historical significance (e.g. Ayurveda) are important segments of the cosmeceutical market.

Forecasts for cosmeceuticals are positive. As increased studies occur about botanicals in skin care and clinical results are made available, certain active ingredients will remain and others will disappear. Moreover, lifestyle shopping trends, general public knowledge and extensive R&D budgets from mass manufacturers will positively affect cosmeceuticals.

Because of an ageing EU population, the personal care and cosmetics industry is focused on a greater range of products for this population. However, not only older consumers are demanding multi-functional, therapeutical products that moisturise, provide UV protection, and are mild. The baby-boom generation's demand for hair colour to hide grey hair, for example, has resulted in rapid growth in this segment. Another recent development is the larger number of men using facial preparations and hand and body moisturisers.

Industry level

In many parts of the world, the personal care and cosmetics market is crowded. Companies' market shares are likely to stagnate unless they reformulate their products to address the needs of niche markets, incorporate new ingredients, and heighten the performance of products. Large multinational companies have recently entered the natural personal care and cosmetics segment (particularly from Germany), which was long dominated by small, alternative manufacturing and marketing companies. Mass and prestige marketing companies and their large advertising budgets have entered the natural segment. For example, in the fragrance industry many small perfume artists have been taken over by multinationals. Their efforts to conquer of the youth segment of the cosmetic market have led to a battle of prices.

The increasing dominance by large companies is perceived by some as a positive development (they see it as ensuring higher quality, safer and more effective products) and by others as a threat to the smaller end of the industry which has closer ties to herbalism and traditional use.

Although many of these mass and prestige products contain small and sometimes insignificant amounts of natural ingredients, the message to consumers that 'natural is better' is gaining ground. Many manufacturers have moved their botanical story and related benefit claims to centre stage through branding and promotions.

As multinational manufacturers seek to expand and establish themselves on a global level, global brand equity will become increasingly important as a key to maintaining high

profile and market presence. Domestic, country-specific products and manufacturers risk being increasingly marginalised.

Research and product level

The research trend for skin care products is moving toward the development of highly refined raw materials of natural origin with defined constituents imparting a specific biological effect to benefit healthy skin (Anderson, 1996). Significant new growth ingredients include enzymes, antioxidants, vitamins A, C and E, marine organisms, and botanicals (ten Kate & Laird, 1999). Food is also an important source of raw materials and ideas for the personal care industry.

Classes of natural products of interest to product development teams mentioned by Iwu (ten Kate & Laird, 1999) include: bio-saponins (steroids and triterpenoids); flavonoids; amino acids, non-protein biocomplexes; proteins and phytoamins; anti-oxidants; alpha- and beta-hydroxy acids; formulation acids; formulation aides; and vitamins. Many natural products contain ingredients, which yield these compounds, including green tea, marigold, camomile, ginger, rosemary and aloe.

A number of the new botanical ingredients in personal care and cosmetics products are drawn from their traditional use as medicines and subsequent incorporation into the botanical medicine industry. Plant extracts are now increasingly used in cosmetic products. The commercial applications for many other natural personal-care ingredients, like cohune oil from Guatemala, do not emerge directly from traditional use. Cohune oil is used locally as cooking oil and prior to its commercial development by Conservation International and Croda Inc was not found in use for personal care. Croda has recently stopped using cohune oil and is now using cheaper ingredients. Botanical raw material is supplied to the personal care and cosmetics industry through the same channels as those supplying the botanical medicine industry (ten Kate & Laird, 1999).

With respect to the product group essential oils, there is a trend to use fractionates instead of the oils themselves. Essential oils generally contain many substances. If the substance required for the product exceeds 70/80 percent of the contents of the oil, then the oil itself will generally be used. Otherwise, users want the fractionate (natural aromatic chemicals) which gives the particular smell. For example, citral from litsea cubeba, or vetiver acetate from vetiver oil. The perfume and flavour industry is mostly involved in the extraction of high-value essential oils, or for extraction where specific technology is required. The industry has often invested in extraction of plants in the production areas, by establishing agreements with local partners.

Moreover, Laird and Pierce (2002) mention the following trends on the level of type of product:

- Increased standardisation and chemical characterisation of products;
- Increasing dominance of single preparation products, away from multiple herb products;
- Extracts are becoming more important; raw materials are processed into extracts rather than capsules;
- People want pleasant smelling products; an influence in Europe of what some people refer to as the “Americanisation” of the industry.

Regarding the sourcing of natural ingredients, Laird and Pierce notice the following:

- Trend towards more organic-certified material;
- Increasing involvement in sources, as a way to control quality;
- Increasing levels of cultivation;
- Increasing interest in GACPs (Good Agricultural and Collection Practices), and other standards (for this, please refer to Chapter 9).

IN-COSMETICS Trends Presentations 2004

The IN-COSMETICS Industry Trends Presentations took place at the In-Cosmetics trade fair end of April 2004. In-Cosmetics is an important forum for the latest trends within the cosmetics and toiletry industry. Seminars provided exhibitors with detailed information on products and services exhibited at the show. While last year the inclusion of natural ingredients was highlighted as an on-going marketing tool, this year the challenge of targeting older consumers with relevant beauty products was a major theme of the presentations. The over 50s age group represents a large group, who move around a lot, and are not afraid to spend money on beauty products.

According to Euromonitor, hair care was the largest sector, although not the fastest growing in the total market. Skin care was more dynamic and was the second largest sector at € 151 billion in 2003, up by 4.8% on 2002. Regarding the latter, age-defying products are increasingly demanded. Most of these products fall under the category of cosmeceuticals, products containing active ingredients that claim to provide a clinical effect in addition to their traditional cosmetic function.

In general, consumers expect truly, sustainable cosmetic solutions for "A" problems like anti age (wrinkles), anti-cellulites, sun care and acne. Other trends mentioned are:

- Simplifying consumer choice (customised products that make it easier to make a choice in store);
- At home salon experience (products providing an alternative to salon services, such as home facials);
- Avoiding the plastic surgeon (anti-ageing products for skin firming, wrinkle reduction and lip plumping);
- New technology targets teens (acne and moisturising treatment);
- More skin and cosmetics products for men;
- Targeting youth (the focus is on late teens and early twenties with specific new brands);
- Wipes - the next generation (impregnated and dual-sided wipes for a range of personal care purposes);
- You can take it with you (such as a Urban Decay's Hot Box Mini Make-up kit shaped like a Zippo lighter that flips open to reveal a mini mascara, concealers, two shades of lip gloss and a mirror);
- Cosmeceuticals go west (Influences from the Far East are now moving West);
- Latest developments from the Far East (Many examples of novelty items, especially from Japan, are coming onto the market).

Consumer interest in "natural", "spa-at-home" and "detox" products has increased further, as people continued to seek ways to feel good and escape their hectic lifestyles. Manufacturers have responded to this desire for simplicity by adding natural ingredients, such as plant extracts and herbs, as well as vitamins and supplements to their products. (Green) tea has been a particularly popular ingredient. Moreover, the cosmetic industry also tries to find solutions for the "A" problems by using natural ingredients.

Opportunities for developing countries

Considering the demand for cosmetic products, the market for natural ingredients for cosmetics will provide exporters in developing countries with opportunities. Chapters 4 and 5 will deal with opportunities in the different market segments.

As the major developed markets have reached maturity and limit scope for volume growth, a focus on value-added products gives cosmetic companies opportunities. When adding more value to commodities such as essential or fatty oils, they could be marketed as organic products. Marketing ingredients as organic may also be interesting in the case that producers can only supply small quantities of natural ingredients. Smaller quantities can be more easily marketed in the organic market than in the regular market, where large quantities are required by traders. Some natural ingredients, such as coconut oil,

are commodities traded in large volumes. Countries like the Philippines, Indonesia and India have established their production and sales channels. However, there is also a number of countries with small production of coconut oil, such as Ecuador and El Salvador. It may be difficult for these countries to enter the regular market, as large quantities are required by traders. The organic market is an interesting niche market for these suppliers, as quantities required for the organic market are smaller than in the conventional market. Germany is the leading EU market for organic products and hosts the annual trade fair BioFach. This fair has a special hall for cosmetics. An example of a company offering only organic essential oils can be found at the Internet site www.organicherbtrading.com. Requirements for organic products can be found in the EU Regulations EEC 2092/91 and EC 1804/1999, or contact Skal (see Appendix 2.6).

A new development, besides organic certification, is certification based on criteria and principles of the Forest Stewardship Council. In 2001, a Brazilian company earned FSC certification for 80 thousand ha of native forest, where extraction of raw materials for producing medicines and cosmetics takes place.

One advantage that producers/exporters in developing countries have is that many of the new ingredients that companies are looking could originate in those parts of the world where there is a tradition of using natural ingredients for skin and hair care. Paradoxically, the difficulty facing such ingredients is that they may not be known in the West and therefore formulators will be reluctant to use such ingredients without detailed safety assessments. One approach here is to develop mutually beneficial relationships with companies dealing in natural ingredients that may be able to support and guide the supplying company through the legislative requirements (refer also to section 9.1.1).

Major important elements affecting new product development in skin care and cosmetics are:

- **Products for ageing consumers**: the claims for skin-tightening cosmetics and skincare to reduce wrinkles and fine lines are becoming more overt on the packaging, but are better supported by scientific bases.
- **Products for on the go**: this is a huge trend in food as well as non-food. In cosmetics, there has been an increase in portable, single use and mono dose products (e.g. Bourjois Powder Brush, Lorac Bronzed Portable Paints, Prada's mono dose skincare products with travel bag).
- **Products that communicate science to the consumers**: consumers are more aware and interested in what is used as ingredients in a product.
- **Products with natural ingredients**: natural ingredients symbolise pureness and this is usually reflected in packaging that is white, blue or clear.
- **Crossover products**: These include products, which have a number of benefits such as colour cosmetics with skin-tightening properties and tinted moisturers.

Considering the above-mentioned product development, developing countries could respond to these trends and find their opportunities in these areas.

4 PRODUCTION

Although production by European countries of natural ingredients is reported, these data must be interpreted and used with caution. Many of the natural ingredients used in the cosmetic industry come from developing countries, are further processed and re-exported to buyers in Europe. For example, Germany is listed as a leading EU producer of coconut oil. This production, however, concerns processing of raw materials.

Vegetable oils
EU production of vegetable oils and fats decreased somewhat between 2001 and 2003, amounting to 12.3 million tonnes in the latter year (FAO, 2004). The EU accounted for 9 percent of global production. The leading EU producer was Germany, accounting for 23% of EU production, followed by Spain (20%), France (10%), The Netherlands (9%), Italy (9%) and UK (6%).

Between 2001 and 2003, EU production of coconut oil decreased by 35 percent, amounting to 33 thousand tonnes, which represented 1 percent of global production. The leading EU producer used to be Germany, but was replaced by Belgium, accounting for 38 percent of EU production.

EU production of sesame seed oil decreased between 2001 and 2003 by 18 percent, amounting to 23 thousand tonnes, which represented 3 percent of global production. Developing countries represent 91 percent of global production. The leading EU producer was Germany, followed by Greece.

Between 2000 and 2002, EU production of peanut oil increased by almost 60 percent, reaching 75 thousand tonnes in the latter year (FAO, 2003). The leading EU producer was The Netherlands, accounting for 83 percent of EU production.

Essential oils
According to FAO, world production of essential oils is estimated at 28.2 million tonnes. Developing countries command a dominant position in the global production, of which they account for 85 percent. The competition with industrialised countries, however, remains very strong. Industrialised countries remain in a dominant position where high yields and full mechanisation make cultivation competitive with countries, which rely on low labour costs.

Table 4.1 Production of essential oils, 2001-2003
1,000 tonnes

	2001	2002	2003
World	28,277	28,209	28,181
Developing countries	23,867	23,937	23,953
European Union	270	301	278

Source: FAO (2004)

In Europe, essential oils are produced from around 2,000 plants. Lavender and peppermint are among the most popular. Production is particularly successful in the Mediterranean countries of Greece, France and Italy.

On a global scale, the 18 most important species represent nearly 75 percent of the total production value. The concentration in terms of tonnage is even higher, as there is a trade in small volumes of products with high unit values (e.g. rose, jasmine, vetiver).

Plant extracts
The EU is a leading producer of plant extracts. Big extract producers such as Finzelberg, Spreewald, General Extract Products and Gehrlicher are located in Germany. The first three focus more on natural ingredients for pharmaceutical or food products, while Gehrlicher also produces cosmetic products.
Other leading producers are Indena and Hammer Pharma in Italy. Both use natural ingredients for cosmetics, food as well as pharmaceutical products.

Medicinal and aromatic plants
Europe's place in world trade in medicinal and aromatic plant material is of global importance. Among the 12 leading countries of export, Germany, Bulgaria and Poland are listed. In Europe, at least 2,000 medicinal and aromatic plants are used on a commercial basis, of which two-thirds, 1,200-1,300 species, are native to Europe (Traffic, 1998).

Medicinal and aromatic plant material is obtained both from plants growing in the wild and from cultivated stock. Collection in the wild still plays a vital role in the use of, and trade in, medicinal and aromatic plant material in Europe, since cultivation has not proved to be profitable for the majority of the plants traded. This is because: many plants are difficult to cultivate; many are required in small quantities; the quality of some wild-harvested material is supposed superior; the costs associated with obtaining plant material from the wild are relatively low. Wild-collection remains particularly prominent in Albania, Turkey, Hungary and Spain.

In the EU, medicinal and aromatic plants are cultivated on an estimated 70,000 ha. Leading species are: lavender (*Lavandula spp.*), Opium Poppy (*Papaver somniferum*), Caraway (*Carum carvi*) and Fennel (*Foeniculum vulgare*). France and Spain are EU countries, which have many hectares under cultivation. However, in Spain both wild harvesting and cultivation of medicinal and aromatic plants has declined. There is some cultivation in Germany, where leading producers of botanical medicines have their own plantations for popular products. Finzelberg, for example, cultivates St. John's Wort and Echinacea in Germany. The area under cultivation, however, is small as cultivation in East European countries is much cheaper. East European countries such as Bulgaria, Hungary and Albania are major EU suppliers of material from medicinal and aromatic plants. The trade in medicinal and aromatic plant material in countries belonging to the former Eastern Bloc has changed in recent years, largely owing to change from strictly organised and state-controlled trading systems, based mostly on country-wide networks, to free and diversified markets, with an increasing number of competing, private companies.
The enlargement of the EU could be a threat to developing countries, but could also be considered as an opportunity. More information can be found in Section 5.3.

Natural colours
The number of colourants and dyestuffs found in nature are enormous, but only some of these products are commercially important. EU production figures for natural colours are not available. EU trade data show that France and Germany are the leading suppliers to the EU market. However, in the FAO publication *Natural colourants and dyestuffs*, which includes an overview of major colourants and dyestuffs entering international trade, no significant production in European countries is reported, except for paprika from Spain and Hungary. This colorant, however, is mainly used in food products.

Seaweed & other algae
EU production figures for seaweed & other algae are not available. Trade data show that the leading EU countries supplying the EU market are France, Ireland and The Netherlands.

Opportunities for developing countries

Also dealt with more extensively in the next Chapter, the following products provide opportunities for exporters in developing countries:

- Coconut oil and cocoa butter
- Castor oil
- Sweet almond oil
- Shea butter
- Illipe butter
- Amazon oils and butter

Since these products cannot, or only with difficulty, be produced in the EU, but need a tropical environment for cultivation, they provide good opportunities for producers in developing countries.

5 IMPORTS

5.1 Total imports

The European Union market

In view of the trade data presented below, the information included in Section 3.1 and the main players in the European market, the leading EU markets for natural cosmetic ingredients are Germany, France, the United Kingdom and Italy. At the level of product groups, however, there can be other countries that are important markets. Spain, for example, is a leading market for colouring matter of vegetable or animal origin. The Netherlands is a leading importer of vegetable oils, but not so much of oils destined for the cosmetic industry.

Table 5.1 shows EU imports of the main groups into which the natural ingredients for cosmetics fall. However, not all of the products falling in these groups are used for the production of cosmetic products. Therefore, it is not particularly worthwhile to add up the import figures for the respective product groups with a view to obtaining an overall figure of imports of natural cosmetic ingredients. For more information on ingredients used in food product and in pharmaceuticals, please refer to CBI's EU Market Surveys "*Food Ingredients for Industrial Use"* and *"Natural Ingredients for Pharmaceuticals."*

Table 5.1 Imports by EU-15 countries of selected product groups falling under natural ingredients for cosmetics, 2000-2002, € thousand / tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Vegetable (& animal) derived oils, fats & waxes	2,673	3,017	2,375	3,089	2,717	3,245
Intra-EU	1,368	1,327	1,293	1,302	1,467	1,398
Extra-EU	1,305	1,690	1,082	1,787	1,250	1,847
Vegetable saps & extracts	976	237	969	237	950	384
Intra-EU	512	82	507	81	510	80
Extra-EU	464	155	461	156	440	304
Essential oils & oleoresins	587	62	620	68	668	69
Intra-EU	222	20	218	17	237	18
Extra-EU	365	42	402	50	430	50
Raw plant material	411	179	398	185	383	175
Intra-EU	132	39	122	44	117	38
Extra-EU	279	140	276	140	266	136
Colouring matter of vegetable or animal origin	170	21	174	21	170	22
Intra-EU	100	14	99	13	104	16
Extra-EU	70	7	75	8	66	7

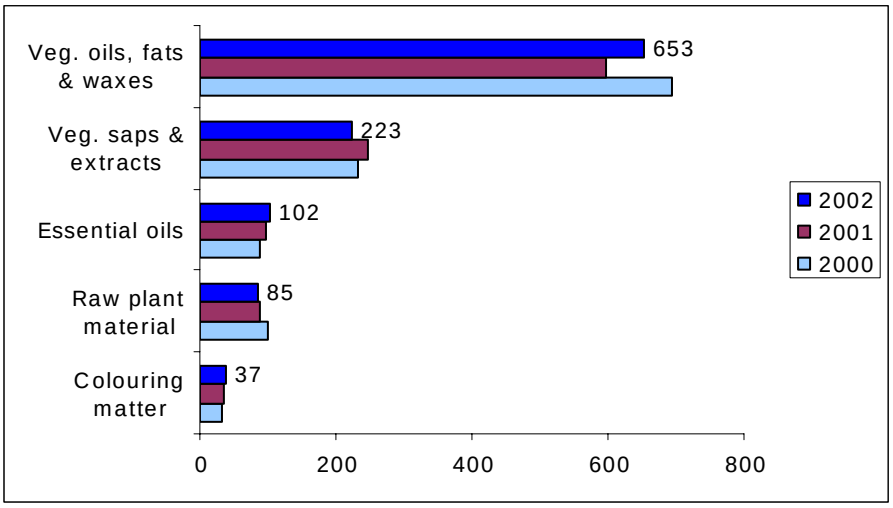
Source: Eurostat (2003)

Germany

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

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

Figure 5.1 Imports of natural ingredients for cosmetics into Germany, 2000-2002, € million



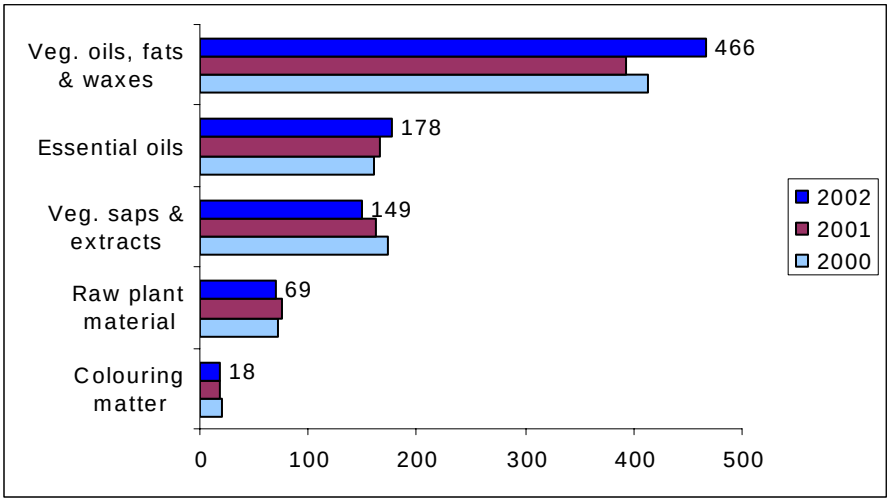
Source: Eurostat (2003)

Leading suppliers of ingredients for cosmetics to Germany (share in imported value, 2002)	
Vegetable oils, fats & waxes	→ The Netherlands (41%), Indonesia (21%), Philippines (11%), Belgium (5%)
Vegetable saps & extracts	→ France (15%), Denmark (9%), USA (9%), Switzerland (9%), India (8%)
Essential oils & oleoresins	→ France (22%), USA (12%), China (8%), India (7%), The Netherlands (7%)
Raw plant material	→ Poland (13%), USA (9%), China (7%), Bulgaria (7%), Egypt (5%), Chile (5%)
Colouring matter	→ The Netherlands (18 %), Spain (12%), Peru (11%), France (7%), South Africa (6%)

France

France has the leading position in the imports of essential oils & oleoresins, with imports (in terms of value) increasing between 2000 and 2002. During the same period, French imports of vegetable oils, fats & waxes, after a year of decline, increased considerably in terms of value.

Figure 5.2 Imports of natural ingredients for cosmetics into France, 2000-2002, € million



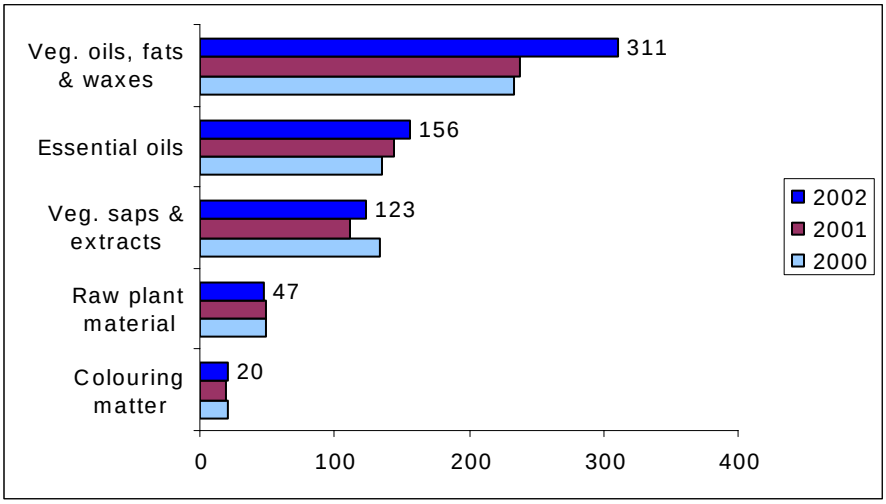
Source: Eurostat (2003)

Leading suppliers of ingredients for cosmetics to France (share in imported value, 2002)	
Vegetable oils, fats & waxes	→ Côte d'Ivoire (17%), The Netherlands (13%), Belgium (13%), Indonesia (8%)
Vegetable saps & extracts	→ Italy (13%), Germany (13%), Sudan (9%), Morocco (9%), Philippines (7%)
Essential oils & oleoresins	→ Ireland (12%), USA (9%), India (8%), China (7%), Morocco (7%), Italy (5%)
Raw plant material	→ Spain (11%), Germany (9%), Italy (8%), Morocco (7%), Philippines (7%)
Colouring matter	→ Spain (16%), Germany (14%), Denmark (14%),USA (12%), The Netherlands (9%)

United Kingdom

The United Kingdom is the second leading EU importer of essential oils & oleoresins after France. The imports of vegetable oils, fats & waxes increased considerably as from 2001.

Figure 5.3 Imports of natural ingredients for cosmetics into the UK, 2000-2002, € million



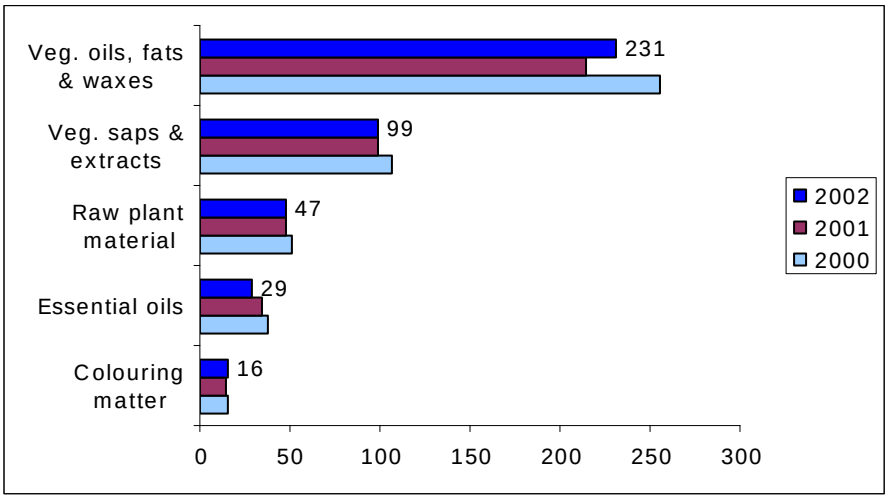
Source: Eurostat (2003)

Leading suppliers of ingredients for cosmetics to the UK (share in imported value, 2002)	
Vegetable oils, fats & waxes	→ The Netherlands (31%), France (9%), USA (8%), Germany (8%), Indonesia (7%)
Vegetable saps & extracts	→ USA (15%), France (13%), Spain (13%), Germany (10%), Denmark (9%)
Essential oils & oleoresins	→ USA (31%), Argentina (16%), France (11%), China (9%), India (5%), Brazil (4%)
Raw plant material	→ USA (23%), Germany (13%), France (11%), China (8%), Belgium (5%)
Colouring matter	→ Denmark (18%), France (17%), USA (9%), Germany (9%), Belgium (6%)

Italy

Between 2000 and 2002, Italian imports of all product groups except for colouring material, decreased in terms of value. However, in 2002 imports of vegetable oils, fats and waxes showed an increase again to € 231 million.

Figure 5.4 Imports of natural ingredients for cosmetics into Italy, 2000-2002, € million



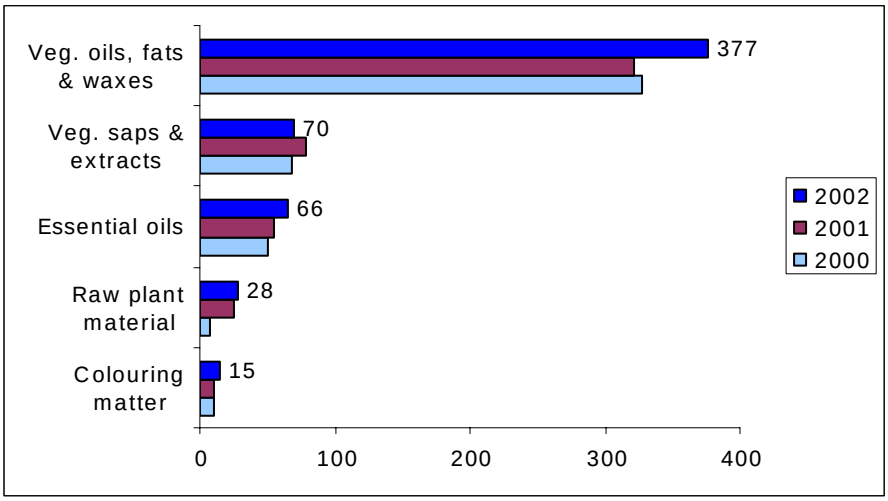
Source: Eurostat (2003)

Leading suppliers of ingredients for cosmetics to Italy (share in imported value, 2002)	
Vegetable oils, fats & waxes	→ The Netherlands (18%), Senegal (11%), Germany (10%), USA (10%)
Vegetable saps & extracts	→ France (32%), Germany (14%), Denmark (7%), India (7%), UK (6%)
Essential oils & oleoresins	→ France (27%), UK (19%), Germany (10%), Brazil (8%)
Raw plant material	→ France (17%), USA (14%), China (12%), India (8%), Austria (7%)
Colouring matter	→ Peru (24%), Spain (23%), The Netherlands (13%), UK (8%), Germany (7%)

The Netherlands

The Netherlands is a leading importer of vegetable oils, fats & waxes, although it should be mentioned that not much of the oils are destined for the cosmetic industry, but re-exported to other EU member countries. Netherlands imports of this product group increased in terms of value since 2000, while imports of vegetable saps & extracts, essential oils & oleoresins and raw plant material witnessed some decrease between 2000 and 2002.

Figure 5.5 Imports of natural ingredients for cosmetics into The Netherlands, 2000-2002, € million



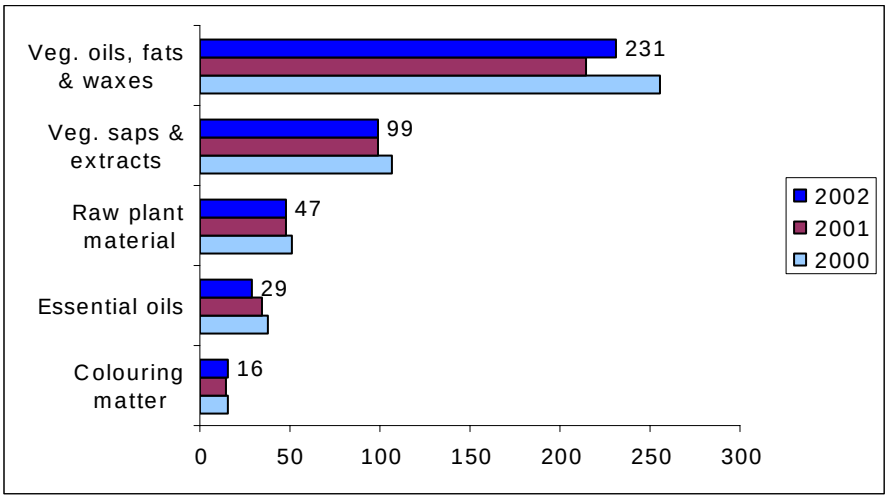
Source: Eurostat (2003)

Leading suppliers of ingredients for cosmetics to The Netherlands (share in imported value, 2002)	
Vegetable oils, fats & waxes	→ Philippines (19%), Indonesia (18%), Germany (11%), Côte d'Ivoire (8%), Malaysia (6%)
Vegetable saps & extracts	→ USA (17%), Germany (15%), France (11%), Australia (8%), Portugal (7%)
Essential oils & oleoresins	→ Brazil (18%), USA (17%), UK (14%), France (7%), Germany (6%), Spain (6%)
Raw plant material	→ Kenya (26%), Israel (15%), Germany (11%), USA (9%), Belgium (6%), Japan (5%)
Colouring matter	→ Israel (35%), Germany (19%), UK (11%), Spain (10%), France (7%), Denmark (7%)

Spain

Most noticeable about Figure 5.6 are the fluctuations in the imports of vegetable oils, fats & waxes and the other product groups between 2000 and 2002. Essential oils & oleoresins and colouring matter are the only product groups, which showed continuous increases during this period.

Figure 5.6 Imports of natural ingredients for cosmetics into Spain, 2000-2002, € million



Source: Eurostat (2003)

Leading suppliers of ingredients for cosmetics to Spain (share in EU imports in terms of value, 2002)	
Vegetable oils, fats & waxes	→ Indonesia (35%), The Netherlands (10%), Germany (9%), India (8%), France (5%)
Vegetable saps & extracts	→ France (24%), Germany (19%), Switzerland (12%), Denmark (9%), Italy (6%)
Essential oils & oleoresins	→ China (22%), France (15%), Indonesia (11%), India (8%), USA (8%)
Raw plant material	→ Germany (15%), France (13%), India (10%), Indonesia (9%), Morocco (7%)
Colouring matter	→ Mexico (15%), China (10%), Peru (10%), Germany (10%), France (10%)

New EU countries

On 1 May 2004 large parts of Eastern and Western Europe were reunited when 10 new countries joined the European Union - Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia.

Since statistical databases are not completely integrated yet, it is difficult to present the same amount of figures for the new ten as for the older EU countries. However, Table 5.2. shows import data provided by ITC's TradeMap (http://www.trademap.org). Please note that data of each product group was not available for all countries. Especially the smaller countries are not always able to provide statistics, often due to a very small amount of imports.

Table 5.2 Imports by the new EU member countries selected product groups falling under natural ingredients for cosmetics, 2002, € thousand / tonnes

	2002	
	value	volume
Total	307,803	48,178
Vegetable (and animal) derived oils, fats and waxes	189,240	20,541
Vegetable saps and extracts	65,694	10,122
Raw plant material	23,505	14,263
Colouring matter of vegetable or animal origin	16,263	2,434
Essential oils and oleoresins	13,101	818

Source: ITC Trade Maps (2004)

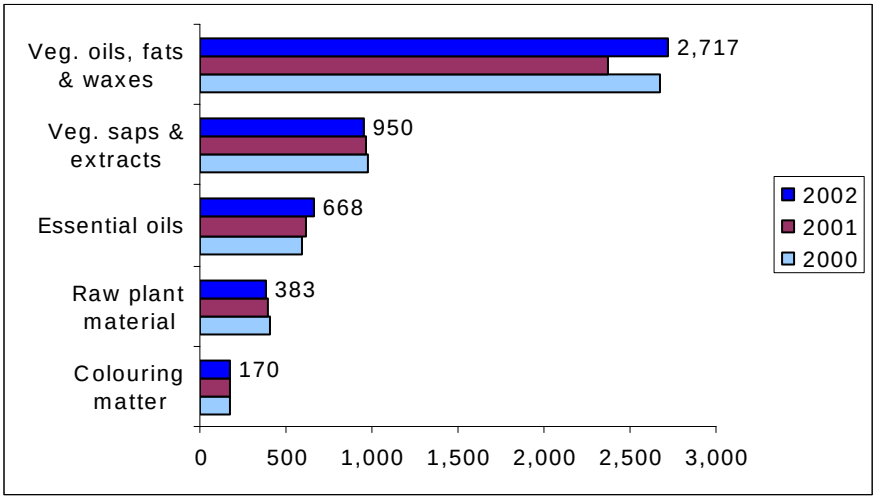
Comparable with other EU countries, the main imported product groups to the new EU countries are vegetable oils, fats, waxes, vegetable saps and extracts. The main importing countries of these products are Poland, the Czech Republic and Hungary.

5.2 Imports by product group

The following section describes EU imports and developments, over the last three years, of products that are interesting for developing countries, falling under the broad-based product groups indicated in Section 1.1. Please refer to Appendix 1 for detailed trade data for these product groups.

Most remarkable about Figure 5.7 is that the imported value of vegetable oils, fats & waxes increased considerably between 2000 and 2002, i.e. after a period of decline. The other product groups remained fairly stable.

Figure 5.7 Imports of natural ingredients for cosmetics by EU member countries, 2000-2002, € million



Source: Eurostat (2003)

Vegetable (and animal) derived oils, fats and waxes

Total import of vegetable and animal-derived oils, fats and waxes by EU member countries amounted to € 2.7 billion in 2002, representing an increase by 1.5 percent since 2000. In terms of volume, imports increased by about 8 percent, reaching 3 million tonnes in 2002. In general, imports of products under this product group remained fairly stable during 2000-2002.

Table 5.3 Imports by EU member countries of vegetable (and animal) derived oils, fats and waxes, by product group, 2000-2002, € million / 1,000 tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total	2,673	3,017	2,375	3,089	2,717	3,245
Intra-EU	1,368	1,327	1,293	1,302	1,467	1,398
Extra-EU	1,305	1,690	1,082	1,787	1,250	1,847
Cocoa butter, fat & oil	729	280	719	300	909	318
Coconut oil	772	1,287	580	1,428	686	1,566
Animal or veg. fats & oils	444	657	421	596	484	609
Fixed veg. fats & oils	532	602	477	589	456	557
Peanut oil	151	177	134	164	142	182
Waxes	45	13	45	12	40	13

Source: Eurostat (2003)

Countries outside the EU, mostly represented by developing countries, supplied nearly half of the total imported value of vegetable and animal derived oil, fats & waxes.

Leading EU importers and suppliers of selected vegetable oils, fats & waxes (share in EU imports, value 2002)		
Coconut oil	EU importers	Germany (37%), The Netherlands (23%), France (9%),Belgium (8%), Italy (7%)
	Suppliers	Indonesia (41%), Philippines (28%), The Netherlands (10%), Malaysia (8%)
Cocoa butter, fat & oil	EU importers	Germany (25%), France (21%), UK (15%), Belgium (15%), The Netherlands (11%)
	Suppliers	The Netherlands (47%), Côte d'Ivoire (13%), France (12%), Indonesia (5%)
Castor oil	EU importers	France (20%), Germany (18%), Italy (17%), The Netherlands (15%), UK (8%)
	Suppliers	India (78%), Belgium (7%), Germany (5%), USA (2%), The Netherlands (4%)
Peanut oil	EU importers	France (35%), Italy (24%), Belgium (18%), Germany (10%), The Netherlands (5%)
	Suppliers	Senegal (44%), Argentina (16%), Belgium (13%), Gambia (7%), France (5%)
Waxes	EU importers	Germany (28%), France (18%), UK (12%), The Netherlands (11%), Italy (9%)
	Suppliers	Brazil (23%), China (14%), Germany (12%), The Netherlands (8%), France (8%)

Opportunities for developing countries

The tables above show that the main markets for vegetable oils are Germany, Italy, France and the UK. Interesting companies include Jan Dekker International, Alban Muller International and H. Lamotte.

Based on discussions with experts in the field of international marketing and trade promotion of cosmetic ingredients and information from trade journals, the following products provide opportunities for exporters in developing countries:

- Coconut oil and cocoa butter
- Castor oil
- Sweet almond oil
- Shea butter
- Illipe butter
- Amazon oils and butters

Coconut oil
Coconut or its fatty acids are used in soaps because of its quick foaming properties. A cut of the coconut fatty acids of C12-C14 is a natural basic material for synthetic surfucants. Coconut oil is also used in the chemically manufactured Cocamide DEA (Synonyms: Coconut diethanolamide, coconut oil diethanolamine). This product is an excellent stabiliser and viscosity builder/modifier for shampoos, hand soaps and bath products.

Leading producers in developing countries were Philippines (1 million tonnes), Indonesia (900 thousand tonnes), India (460 thousand tonnes), Viet Nam (149 thousand tonnes), Mexico (109 thousand tonnes) and Sri Lanka (64 thousand tonnes).

Castor oil
In 2002, India and China were the leading developing country producers, with production amounted to 266 thousand and 157 thousand tonnes respectively. Other major producers were Brazil (37 thousand tonnes), Ethiopia (7 thousand tonnes), Thailand (6 thousand tonnes), Paraguay (5 thousand tonnes), South Africa (2 thousand tonnes), the Philippines (2 thousand tonnes) and Ecuador (2 thousand tonnes).

Sweet almond oil
In 2001, the top 5 producers in developing countries were Iran (87 thousand tonnes), Morocco (65 thousand tonnes), Tunisia (60 thousand tonnes), Syria (49 thousand tonnes) and Turkey (45 thousand tonnes). Other important producers were Lebanon, Pakistan, Libya, Algeria and China.

Shea butter
Shea nuts, from which the butter is made, are grown in West African countries. The two main varieties are Vitellaria paradox a (also known as Butyrospermum parkii) and Vitellaria nilotica. The latter has a superior quality and is preferred by cosmetic companies. This variety is primarily grown and processed in northern Uganda and southern Sudan. However, as civil unrest abounds in these regions the variety is generally not available on the market (FAO 2001). Several other countries, including Israel and Germany, have attempted to replicate this variety without success.

For a long time, shea butter was formulated only as a marketing attraction, but it is now also recognised as a true active ingredient with proven benefits. Shea butter is recommended for many cosmetic products: skin care (up to 15%), sun care (up to 25%), lipsticks (from 5 %), cosmetic powders (up to 3%), ethnic and athletic products/body butters (may be used pure), soaps bar (up to 10%), bath and shower products (up to 2%), hair care (up to 3%).

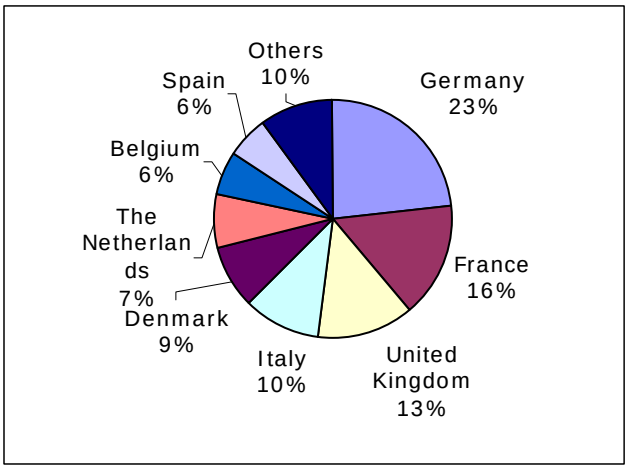
The leading producers in developing countries were Nigeria, Mali, Burkina Faso and Ivory Coast.

Illipe butter
Illipe is a tree growing in the rain forests of Borneo, Indonesia. Indigenous people have always used illipe butter for medicinal, food or cosmetic purposes. Like all vegetable fats, illipe butter has soothing, anti-drying and protective properties. Illipe butter is a first-choice ingredient in: nourishing night creams; sun products; hair masks and lip balms.

Vegetable saps and extracts

Between 2000 and 2002, imports of vegetable saps & extracts by EU member countries remained more or less stable, amounting to € 950 million / 384 thousand tonnes in 2002. Germany was the leading EU importer, accounting for almost a quarter of the imported value. There are a number of commodity houses in Hamburg, which are active in the trade of these products. Most remarkable is the decrease of French and Spanish imports of respectively 14 and 12 percent between 2000 and 2002. Meanwhile, imports by Denmark increased by 30 percent.

Figure 5.8 Leading EU importers of vegetable saps and extracts, 2002 % of total EU import (in value)



Source: Eurostat (2003)

About half of the imported value was sourced outside the EU, of which almost 60 percent in developing countries. Between 2000 and 2002, supplies from France increased substantially in terms of value (20%).

Leading suppliers of vegetable saps & extracts to the EU (share of total imported value in 2002):

→ France (13%), Germany (11%), USA (9%), Denmark (8%), Spain (6%), Italy (5%), India (5%), Philippines (5%), Switzerland (5%)

Opportunities for developing countries

For information on opportunities for developing countries in the field of plant extracts, please refer to the text on raw plant material.

Essential oils & oleoresins

As from 2000, total imports of essential oils & oleoresins by EU member countries increased by about 14 percent in both terms of value and volume, amounting to € 668 million / 69 thousand tonnes in 2002. Apart from Italy and Ireland these increases could be observed in the imports of all the leading EU importers. Especially imports into The Netherlands and Spain increased by respectively 31 and 32 percent.

Table 5.4 Imports by EU member countries of selected essential oils, by product group, 2000-2002, € million

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total	587,293	62,229	620,475	67,822	667,786	68,595

Intra-EU	222,331	19,893	218,184	17,390	237,458	18,422
Extra-EU	364,962	42,336	402,291	50,432	430,328	50,173
Other essential oils *(HS 330129)*	243,068	16,795	262,937	17,244	277,288	16,897
Lemon oil	38,850	2,534	44,708	2,687	52,172	3,285
Oil of other citrus fruit	22,645	1,528	21,927	1,576	21,538	1,821
Lime oil	13,436	729	16,981	795	16,164	911
Geranium oil	9,264	218	8,017	186	9,415	161
Jasmine oil	5,962	30	6,380	31	5,727	33
Vetiver oil	4,657	102	4,119	104	5,159	84
Other ess. oils & oleoresins	*249,409*	*40,294*	*255,407*	*45,199*	*280,322*	*45,404*

Source: Eurostat (2003)

The box below lists the leading EU importers and suppliers of the selected essential oils. Two thirds of the total imported value of essential oil and oleoresins is supplied by countries outside the EU, of which 60 percent is accounted for by developing countries. Developing countries play a relatively important role in the supply of the selected essential oils. France is the leading EU importer of essential oils & oleoresins. This is related to the importance of fragrance houses in France, which use essential oils to create fragrance formulae that are applied in the production of perfumes. France and the United Kingdom together accounted for more than half of all EU imports in terms of value.

Leading EU importers and suppliers of selected essential oils (share in EU imports, value 2002)		
Other essential oils	EU importers	France (33%), UK (18%), Germany (18%), Spain (11%), The Netherlands (7%)
	Suppliers	France (13%), China (13%), USA (9%), Indonesia (8%), UK (5%), India (5%)
Lemon oil	EU importers	UK (55%), The Netherlands (12%), France (11%), Ireland (8%), Germany (7%)
	Suppliers	Argentina (53%), Italy (159%), USA (9%), UK (4%), Germany (3%)
Oils of other citrus fruit	EU importers	Germany (21%), Ireland (19%), The Netherlands (16%), France (16%), UK (13%)
	Suppliers	Italy (23%), USA (17%), Germany (13%), UK (10%), The Netherlands (9%)
Lime oil	EU importers	UK (45%), The Netherlands (19%), Ireland (16%), Germany (8%), France (4%)
	suppliers	Mexico (35%), USA (19%), UK (17%), Peru (13%), Brazil (5%)
Geranium oil	EU importers	France (64%), UK (32%), Germany (15%), Spain (14%), Ireland (5%)
	Suppliers	Egypt (37%), China (32%), France (18%), UK (5%), USA (2%)
Jasmine oil	EU importers	France (80%), UK (9%), Germany (4%), The Netherlands (3%), Ireland (2%)
	Suppliers	India (36%), Egypt (35%), Morocco (12%), France (7%), Spain (3%), UK (2%)
Vetiver oil	EU importers	France (58%), Spain (13%), Germany (11%), The Netherlands (9%), UK (6%)
	Suppliers	Haiti (64%), France (8%), Indonesia (8%), The Netherlands (6%), USA (4%)

Opportunities for developing countries

As shown by the tables above, there is a wide range of essential oils for which developing countries occupy a dominant position. These include:

- Species sensitive to environmental factors, such as tropical plants (spices, ginger, cananga, vetiver), even if the climate is not a real protection against competition.
- Trees in the wild, which can abundantly be found in developing countries (cinnamon, camphor, sandalwood).
- Wild plants that could be easily cultivated in industrialised countries, but for which wild harvesting remains more profitable than the cultivation (Artemisia sp., rosemary).
- Crops for which the cultivation and harvest is more profitable in developing countries (jasmine, tuberose, basil, Mentha arvensis).

According to Verlet (1995), the production of essential oils for natural isolates provides opportunities for developing countries to find new markets. There is increasing need for natural isolates, which could be substitutes for chemicals. There is a lack of natural sources for several fragrances or flavours and some molecules could profitably be extracted from essential oils, even if they are only present in small quantities.

According to Cunningham (1997b), the African region has several interesting aromatic plants as potential sources of essential oils, particularly from *Asteraceae* (e.g. *Pteronia*, *Eriocephalus*), and *Rutaceae* (*Agathosma*, *Coleonema*, *Diosma*), and these could generate income and employment.
Graven et al. (1988) have worked on the selection of *Artemisia afra* genotypes, which have high yields of selected essential oils. The development of these African products is interesting in the first instance for the local market. In the future, they may or may not find their way into international markets.

The main EU markets for essential oils are France, the United Kingdom, and Germany. Interesting companies include Alban Muller International and C. Melchers Essential Oils.

Raw plant material

In 2002, total imports by EU member countries of raw plant material amounted to € 383 million / 175 thousand tonnes. In the same year, more than 80 percent of this value consisted of medicinal and aromatic plants, while the rest consisted of seaweed and algae.

Table 5.5 Imports by EU member countries of raw plant material, by product group, 2000-2002, € million

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total raw plant material	411	179	398	185	383	175
Medicinal & aromatic plants	339	117	330	125	318	117
Intra-EU	121	26	112	34	105	27
Extra-EU	218	91	218	90	213	90
Seaweed & algae	72	62	67	60	65	58
Intra-EU	11	13	10	10	12	11
Extra-EU	61	49	58	50	53	47

Source: Eurostat (2003)

German-based companies dominate the global herbal medicine supply industry. Consequently, Germany is the leading importer of raw plant material. As discussed in

Chapter 3, natural cosmetic products are on the rise and medicinal and aromatic plants are increasingly used in the cosmetic industry.

Germany is not only a leading importer of medicinal and aromatic plants, but also a leading supplier of this product to the other EU member countries. France is the leading EU importer of seaweed and algae, followed by Denmark, whereas the supply of this product group is dominated by countries outside the EU.

Leading EU importers and suppliers of raw plant material (share in EU imports, value 2002)		
Medicinal & aromatic plants	EU importers	Germany (26%), France (17%), Italy (14%), UK (12%), Spain (8%)
	Suppliers	USA (10%), Germany (10%), France (8%), China (7%), India (5%), Israel (5%)
Seaweed & other algae	EU importers	France (22%), Denmark (22%),UK (15%), Spain (15%), The Netherlands (9%)
	Suppliers	Philippines (22%), Chile (13%), USA (8%), France (7%), Indonesia (7%)

Opportunities for developing countries

Besides being used by the botanical medicine industry, plant extracts are also increasingly used in cosmetic products. This was clear at In-Cosmetics 2004, where plant-based cosmetic raw materials were predominant among the new products on offer. The research trend for skin care products is moving toward the development of highly refined raw materials of natural origin with defined constituents imparting a specific biological effect to benefit healthy skin (please also refer to Chapter 3). Botanical raw material is supplied to the personal care and cosmetics industry through the same channels as those supplying the botanical medicine industry. Detailed trade data and information on trade channels can be found in CBI's EU Market Survey "*Natural Ingredients for Pharmaceuticals*".

According to New Hope, the following essential herbals are making waves:

Cassia angustifolia: The sub-tropical plant grown in India and Egypt has been widely used in both traditional and allopathic herbal medicine for many years. Sennasoides are extracted from the plant and used as a laxative by leading European and US companies. More recently, the polysaccharides of cassia seed have been extracted and purified and sold in Europe under the name of Galactomannan. The extract includes 64 percent mannose, 27 per cent galactose, two per cent glucose, one per cent xylose and one per cent arabinose. The cosmetic properties of this extract perform the following functions:

- Repair rough, dry skin
- Exhibit biosubstantivity to skin and hair
- Have film-forming capability
- Provide sustained moisturising
- Improve capacity of stratum corneum to hold water

Centella asiatica: This native of Indian swamps has been widely used in Ayurvedic medicine, but is a new entrant to the cosmetics market. The asiaticosides and triterpenes extracted from the plant have modulating properties on the development and metabolism of connective tissue. Consequently, centella improves wound repair with a better re-epithialisation and a normalisation of perivascular connective tissue, thus allowing an improvement of the venous wall tone and elasticity. Roche Nicholas in France produces more than three tonnes of a patented titrated extract of centella (TECA).

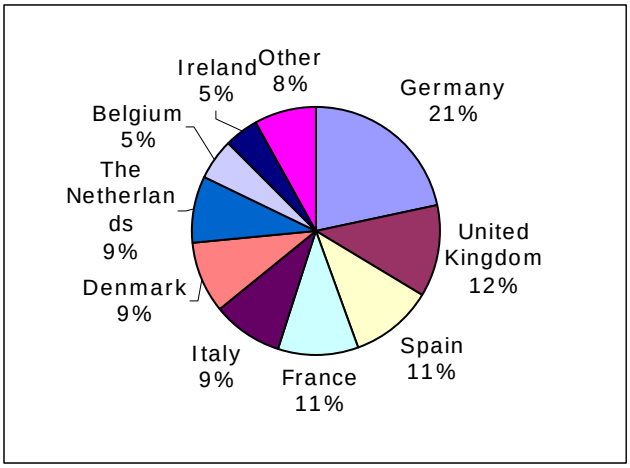
Tamarind: The paste extracted from the fruits of the sub-tropical leguminous tree Tamarindus indica for centuries has been widely used in herbal medicine and as a

foodstuff. Tamarind paste made from the fruit pods is a traditional natural thickening agent in food as well as an ingredient in the textile, paper and pulp industry. More recently, the polysaccharides of tamarind have been extracted for use in cosmetic products. They are recommended for the stimulation of skin repair, for environmental skin protection and for premature ageing.

Colouring matter of vegetable or animal origin

As from 2000, imports of colouring matter of vegetable or animal origin by EU member countries remained stable in value amounting to € 170 million in 2002. In the latter year, the imported volume amounted to more than 22 thousand tonnes. The leading EU importers were Germany, United Kingdom and Spain, together accounting for 45 percent of the total imported value.

Figure 5.9 Leading EU importers of colouring matter of vegetable or animal origin, 2002, % of total EU import (in value)



Source: Eurostat (2003)

About 40 percent of the total imported value was supplied by countries outside the EU, for almost two thirds represented by developing countries. In recent years, Peru has become an important supplier of colouring matter to the EU.

Leading suppliers of colouring matter to the EU (share of total imported value in 2002):

→ Spain (12%), Germany (10%), The Netherlands (9%), Peru (8%), France (8%), Denmark (7%), UK (7%)

Opportunities for developing countries

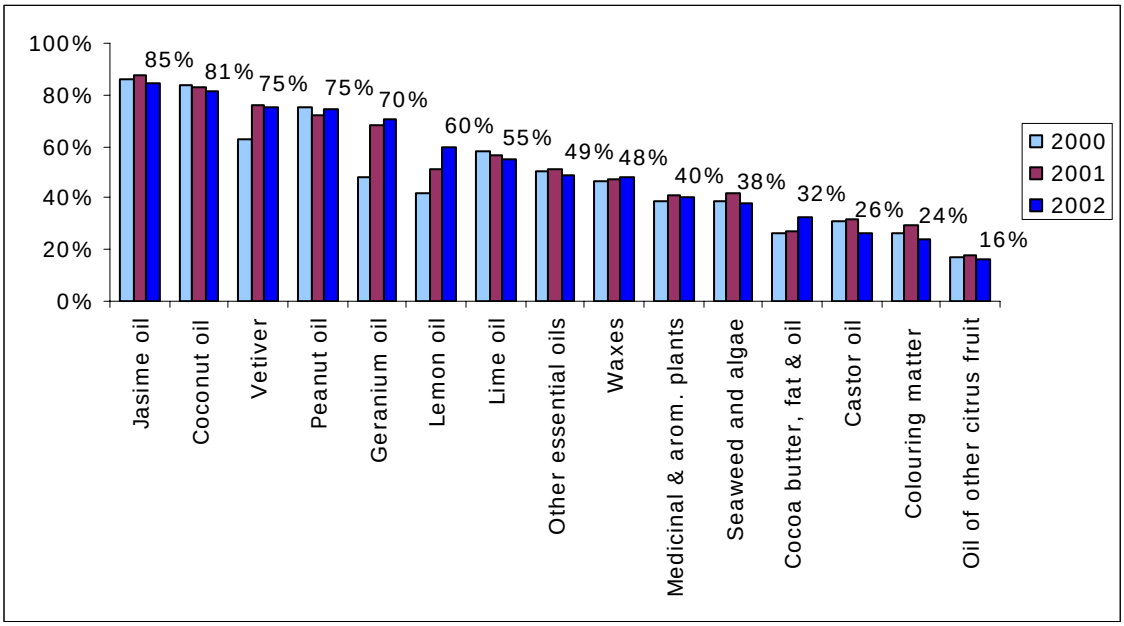
As mentioned above, about 45 percent of the total imported value was supplied by countries outside the EU, mostly represented by developing countries. Therefore, natural colours provide opportunities for exporters in developing countries. This is particularly the case for indigo, which is one of the most ancient blue dyestuffs used for textiles, but is also used in the cosmetic industry. The leading supplier is India, but there are some other (small) suppliers (e.g. El Salvador). Other interesting natural colours include cochineal, carmine, curcuma/turmeric, marigold and henna (these are included in Alban Muller's list of ingredients). Marigold is mentioned by ten Kate & Laird (1999) as a product containing compounds of interest to product development teams.

5.3 The role of the developing countries

Figure 5.10 shows the share of developing countries in EU imports and the development over the last three years of selected cosmetic ingredients. The most eye-catching

fluctuations are in the ingredients castor oil, vetiver oil, cocoa butter, fat & oil, geranium oil, and lemon oil. Imports of the latter three from developing countries showed the biggest growth.

Figure 5.10 Share of EU imports of selected natural ingredients for cosmetic originating in developing countries, 2000-2002, % of imported value



Source: Eurostat (2003)

Regarding the selected natural ingredients, developing countries are particularly strong in jasmine oil, coconut oil, vetiver oil, peanut oil, geranium oil, lime oil, lemon oil and other essential oils. In 2002, developing countries supplied over 50 percent of the imports (in value) of these products by EU member countries.

The most important developing country suppliers of the selected ingredients are China, India, Brazil, Argentina, Indonesia and Morocco. For some ingredients, the supply from developing countries is dominated by a single country. Argentina, is for example, dominating the developing country supply of lemon oil, India the supply of castor oil, Haiti the supply of vetiver oil, Senegal the supply of peanut oil and Mexico the supply of lime oil.

Table 5.6 Imports of selected natural ingredients for cosmetics by EU member countries supplied DCs, 2002, € thousand, % of total value supplied by DCs

Product	DCs	Leading developing country suppliers
Jasmine oil	4,848	India (43%), Egypt (42%), Morocco (14%), Madagascar (1%)
Castor oil	120,098	India (70%), China (7%), Turkey (4%), Brazil (3%)
Coconut oil	557,245	Indonesia (50%), Philippines (35%), Malaysia (10%), Papua New Guinea (4%)
Vetiver oil	3,884	Haiti (85%), Indonesia (11%), Madagascar (2%), South Africa (1%)
Peanut oil	105,998	Senegal (59%), Argentina (21%), Gambia (10%), Sudan (6%)
Geranium oil	6,618	Egypt (52%), China (46%), South Africa (1%), India (1%)
Lime oil	8,854	Mexico (65%), Peru (23%), Brazil (8%), Cuba (1%), Argentina (1%)
Lemon oil	31,100	Argentina (88%), Brazil (4%), Côte d'Ivoire (3%), South Africa (2%)
Other essential oils	136,301	China (27%), Indonesia (16%), India (10%), Morocco (8%), Turkey (7%)
Waxes	19,195	Brazil (48%), China (29%), Mexico (10%), India (2%), Argentina (2%)
Seaweed & algae	24,794	Philippines (34%), Chile (20%), Indonesia (17%), China (10%), Morocco (6%)
Medicinal & aromatic plants	127,519	China (16%), India (13%), Morocco (9%), Egypt (7%), Turkey (5%)
Colouring matter	40,896	Peru (33%), India (14%), Mexico (14%), China (10%), South Africa (8%)
Cocoa butter, fat & oil	292,722	Côte d'Ivoire (42%), Indonesia (15%), Ghana (10%), Malaysia (8%)
Oil of other citrus fruit	3,478	Cuba (41%), Tunisia (16%), Brazil (13%), South Africa (8%), Morocco (7%)

DCs: Developing countries
Source: Eurostat (2003)

EU enlargement

As mentioned, ten countries, primarily from the Central and Eastern Europe (CEE) region, joined the European Union in May 2004. As part of the integration process, these countries have adopted the common body of law in the EU. The new member countries have also entered into bilateral agreements with the EU in areas such as industrial and agricultural tariffs, standards and certification procedures.

In this section, the impact of the EU enlargement on exports of natural ingredients for cosmetics will be briefly discussed.

Threats of the enlargement

The new EU countries (mainly Hungary, Poland, Albania and Bulgaria) cultivate medicinal plants on a large scale. Many companies in CEE have a competitive advantage over their competitors in developing countries, because of their location near to the other EU

countries and the common body of EU law. Moreover, they have access to highly skilled, and low-cost labour.

After the enlargement, therefore, imports from developing countries may expect to be partially replaced by imports from the new member states. However, this will only be the case for product groups that can be cultivated in Europe, such as lavender (*Lavandula spp.*), Opium Poppy (*Papaver somniferum*), Caraway (*Carum carvi*) and Fennel (*Foeniculum vulgare*). For some product groups, cultivation is not a good alternative. Collection in the wild may occur for medicinal plants that grow slowly, are difficult to domesticate or for which only small quantities are needed. The cost of wild-collection is typically much less than that of cultivation. In these cases, the position of developing countries will not deteriorate.

Although developing countries have a dominant position in the global production of natural ingredients, the competition from industrialised countries and East European countries remains strong. For instance, in the case of natural ingredients for the cosmetic industry, developing countries account for approximately 55 percent of total inputs, while industrial countries and the new EU countries supply 35 percent and 10 percent of world production respectively. Industrialised countries remain in a dominant position where high yield and full mechanisation make cultivation competitive with countries that rely on low labour costs. In general, more and more companies in industrialised EU countries out-source their production to the new EU countries, where labour costs are (still) relatively low.

Opportunities of the enlargement

On the other side, the enlargement of the EU offers opportunities for developing countries. The accession of the new member countries adds another 100 million consumers to the EU marketplace. This will obviously increase the overall EU buying power noticeably. However, keep in mind that, although growing, the average income of consumers in the ten countries is considerably lower than the average of the other 15 member countries.

One of the greatest attributes of EU membership in terms of how it benefits exporters in developing countries is the transparency and homogeneity of the EU regulatory system. Each of the new member countries has adapted the EU laws and standards. As a result, transaction costs for exports from developing countries will be reduced because the harmonised rules and regulations now cover a larger area.

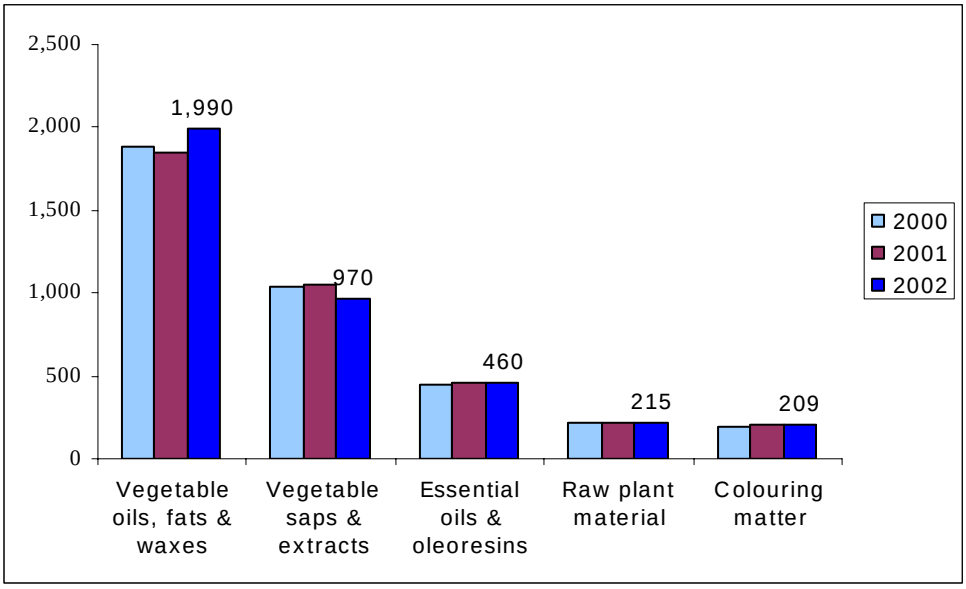
Prior to actual membership, a number of the new member countries (such as Hungary, Czech Republic, Poland, Slovakia, Lithuania, Latvia and Estonia) already enjoyed duty-free access for their products entering the EU market. In other words, the situation for exporters competing with East-European companies has not changed after the actual accession. On the other hand, duties applied to exporters to CEE countries will most probably diminish after these countries have become part of the EU market. This is the result of the fact that most EU tariff levels for developing countries' products are generally lower than those imposed in CEE countries. On the subject of tariff barriers, the overall effect of the enlargement on developing countries' comparative advantage will be positive.

6 EXPORTS

The EU export data must be interpreted and used with caution. The Netherlands, for example, is listed as the leading exporter of oils, fats and waxes derived from vegetables (and animals). It must be realised, however, that a substantial amount of these products is imported, further processed and re-exported at a higher value.

Vegetable oils, fats & waxes are not only the leading product group imported by EU member countries, but also the leading export product.

Figure 6.1 Exports by EU member countries of natural ingredients for cosmetics, 2000-2002, € million



Source: Eurostat (2003)

Vegetable (and animal) derived oils, fats and waxes
Between 2000 and 2002, EU exports of vegetable oils, fats & waxes increased by about 6 percent in value and by 18 percent in volume, amounting to almost € 2 billion / 2.1 million tonnes in the latter year. The leading EU exporter was The Netherlands, accounting for 42 percent of exports (in value) by EU member countries, followed by Germany (14%), France (13%) and Belgium (11%). The major destinations were other EU countries: Germany, Belgium, France, the UK, Italy and Poland which together received more than half of the value exported by EU member countries in 2002.

Vegetable saps and extracts
As from 2000, exports by EU member countries of plant extracts decreased by 6 percent in terms of value and 1 percent in terms of volume, amounting to less than € 1 million / 141 thousand tonnes in 2002. The leading EU exporter was Germany, accounting for more than a quarter of exports (in value) by EU member countries, followed by France (15%), Spain (13%) and Denmark (1%). The major destinations were the USA, France, Germany, The Netherlands, Italy, the UK, Russia and Japan, together receiving 43 percent of exports by EU member countries in 2002.

Essential oils and oleoresins
Exports of essential oils and oleoresins by EU member countries increased by 3 percent during the survey period, reaching € 459 million in 2002. In the same year, exports in terms of volume amounted to 36 thousand tonnes. The leading EU exporter was France, accounting for 37 percent of the exported value, followed by the UK (20%), Germany and Italy (both 9%). The major destinations were the USA, Germany, Switzerland,

France and Japan, together receiving more than half of exports (in value) by EU member countries.

Raw plant material
Between 2000 and 2002, EU exports of raw plant material decreased by 3 percent in terms of value, amounting to € 215 million in the latter year. In terms of volume, imports increased by 4 percent amounting to 54 thousand tonnes in 2002. The leading EU exporter was Germany, accounting for 28 percent of exports by EU member countries, closely followed by France (26%), Spain (10%), Belgium (8%) and Italy (7%). The major destinations were France, Germany, Switzerland, the UK, USA, and Italy, which together received more than 50 percent of exports (in value) by EU member countries in 2002.

Colouring matter of vegetable or animal origin
Exports by EU member countries of colouring matter of vegetable or animal origin increased by 5 percent in value, but decreased by 5 percent in volume since 2000, amounting to € 209 million / 21 thousand tonnes in 2002. The leading EU exporter was Spain, accounting for 25 percent of exports (in value) by EU member countries, followed by Germany (14%), Denmark (14%), The Netherlands (12%) and France (10%). The major destinations were Germany, France, the USA, the UK, The Netherlands and Japan, which together received almost half of exports by EU member countries in 2002.

7 TRADE STRUCTURE

7.1 EU trade channels

Most companies source raw materials in dozens of countries. The material has usually passed through many hands before it reaches a manufacturing company, and most companies find they cannot obtain satisfactory details on its origin. Many do not consider this important however, as long as the material meets their specifications and price requirements (ten Kate & Laird, 1999).

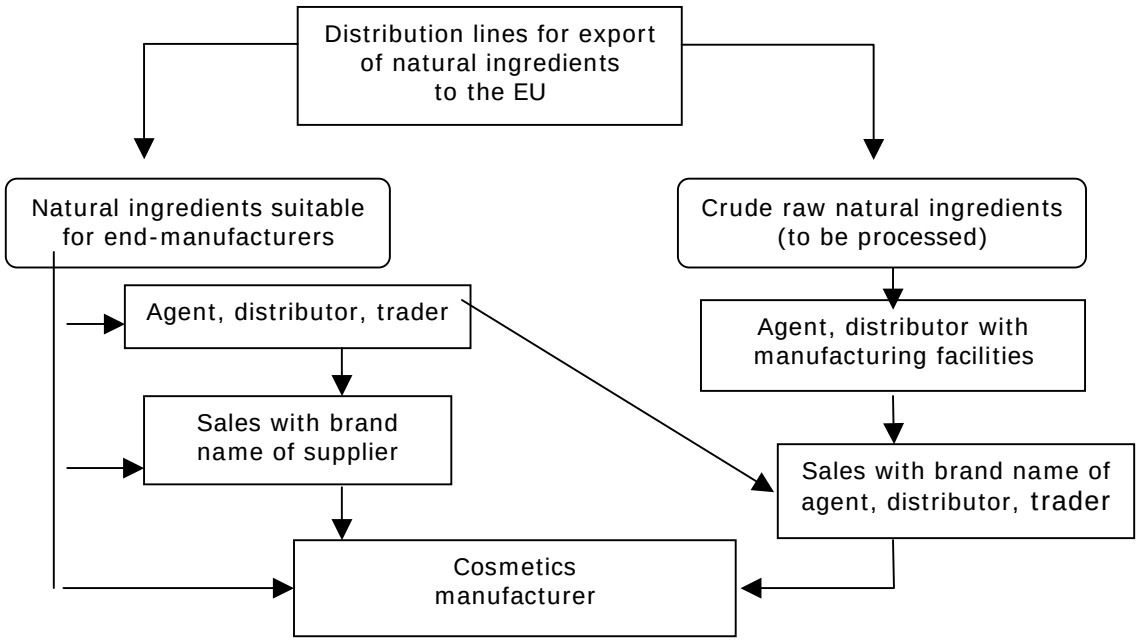
On the other hand, however, a number of partnerships have been created based on the sourcing of raw materials, often with the express purpose of contributing to environmental and social objectives, and sharing commercial benefits. Partnerships of this kind are increasingly common for alternative marketing campaigns.

Some leading industrial users have their own purchasing department, and major oil producers may be tempted to sell directly to industrial users, in order to get be paid a better price for their oils. Nevertheless, traders and brokers still fulfil important functions:

- purchase of oils throughout the world or from specific geographic areas
- analysis and quality control
- rectification of the oil to fit the commercial standards
- blending
- sale to users

The figure below gives a schematic overview of the trade structure of natural ingredients for the cosmetics industry in the EU. The figure presents two major trade channels one for “ready-to-use” or finished and one for crude raw materials. Traders dealing with crude materials have the processing equipment and knowledge to process the ingredients in such a way that they meet the demands of the industry.

Figure 7.1 Trade structure of natural ingredients for the cosmetics industry in the EU



Different types of traders can be distinguished. Enterprises based in the producing countries are mainly involved in the sale and export of local products: they usually deal in large quantities of few commodities which have been produced locally. Enterprises based in consuming countries are concerned with imports and supply of the domestic market: they handle a wide variety of oils. Lastly, some merchant houses are specialised in international trade of large-volume quantities. In most EU countries, trade is dominated by a few wholesalers only (Germany has 21 wholesalers).

As mentioned in Section 1.1, botanical raw material is supplied to the personal care and cosmetics industry through the same channels as those supplying the botanical medicine industry. The boxes below present the structure of the botanical medicine industry and the trade that is dominated by German based companies.

Structure of the botanical medicines industry

Cultivation or wild-collection of plants
Plants are cultivated or wild-collected. Plant material is cleaned and dried. The majority of plant material in trade is in dried form. Drying methods must bring moisture content down to <14 percent, while retaining the chemical composition of the plant. A minority of material is traded fresh, or preserved in alcohol.

Exporters/importers/wholesalers/brokers/traders
Plant material is purchased either directly from wild-crafters or from cultivators, or after it has passed through a number of traders (e.g. local dealers, village co-operatives, district traders). Brokers and agents act on behalf of purchasing companies. Wholesalers, importers and exporters may specialise in a few raw materials, or in a few thousand, which they sell as commodities to a number of different companies. Wholesalers/traders may also process plant material. Some companies apply testing, or use voucher specimens at this stage, to ensure correct species identification and quality.

Bulk ingredient suppliers and processing companies
Plant material is tested for contamination (e.g. pesticides). It is formed into bulk ingredient, either coarsely cut, rasped, or ground into powdered form (for use in crude herbal products and in the preparation of extract). Due to consolidation in the industry, the production of bulk ingredients is often undertaken by wholesalers/traders. Further processing in the form of extraction, particularly standardised extracts, is undertaken by processing companies, many of which also produce branded lines, which they sell directly to distributors or retail outlets.

Manufacturers of finished products
Bulk and processed ingredients are supplied to companies, which manufacture (e.g. might add excipients to extracts to make tablets and capsule products, based on in-house formulae), label, and package products for retail sales. Some sell lines directly to health professionals, others sell directly to consumers through multi-level marketing and mail order. Some companies use brokers or distributors to supply their products to retail outlets, others market directly to mass and specialty outlets.

Distributors
Some manufacturers (usually smaller companies) use distributors to sell finished products to retail outlets.

Retail/consumer sales
The bulk of finished products is sold through retail outlets, either mass market (e.g. chain pharmacies, supermarkets, grocery stores) or speciality (e.g. health food stores, pharmacies), although direct sales command a significant proportion of the market

Source: ten Kate & Laird, 1999

Structure of the botanicals trade in Germany

Drug brokers

Seven brokers or agents are involved in the trade in Germany. Most are active on a global scale, although some specialise in specific countries. Brokers represent foreign import-export companies, traders, farmers and manufacturers. They deal mostly for wholesalers, and to a lesser extent for pharmaceutical companies or herbal tea companies. Most brokers also trade in spices.

Wholesalers (traders in bulk material)

In Germany, the mainstream bulk trade in botanicals is dominated by about 21 wholesalers, with further consolidation of the trade in the past few years. 95 percent of plants sold by German wholesalers are sold as dried plants and plant parts, with the remaining 5 percent comprised of plants preserved in alcohol, mainly for use in homeopathy. Traders deal with a range of customers including the food industry, pharmaceutical companies, cosmetics, liqueur, extract-producing companies, and colouring agent companies. Overall volumes imported by individual traders range from 1,000 tonnes to 30,000 tonnes annually. On average, each company trades in 400-500 botanical species.

Processing

Wholesalers are often responsible for processing the plant material before sale, including cleaning, cutting and grinding it into a powder. Some wholesalers are also involved in producing extracts, herbal teas, or herbal mixtures.

Manufacturing

Processed material is supplied to manufacturers of pharmaceuticals, plant extracts, cosmetics, liqueurs, dyes, etc., as well as to second-level retail suppliers, and to other wholesalers and tea-packing companies. Bulk extract producers and pharmaceutical companies often manufacture intermediary products, which are then sold to cosmetics, pharmaceuticals, or food companies, which manufacture finished products.

The increasing importance of mass merchandisers and supermarkets/hypermarkets in the retail infrastructure will intensify price competition on the cosmetics market. This applies particularly to the mature markets of North America and Western Europe (Euromonitor, 2004).

7.2 Distribution channels for developing country exporters

As mentioned, EU companies increasingly commit themselves to sustainable partnerships. Since (new) ingredients are often found in developing countries, these partnerships are formed with local communities in these countries.

The Body Shop, for example, has a Community Trade Programme in order to achieve long-term sustainable relationships. The community trade programme is based on fair trade principles. Its objective is to make a positive economic and social difference within individual communities, in return for natural ingredients and handcrafted accessories. The programme works with 36 community based suppliers of raw ingredients and accessories in 23 countries. Over 190 products launched in 2002 contained ingredients sourced through the community trade programme. New ingredients include marula oil and melon seed oil. The company aims to increase the number of lead ingredients sourced through the programme, whilst building on the existing group of suppliers for sourcing accessory items. Partners in the programme include: villages in Brazil supplying Brazil nut, women's groups in Ghana supplying shea butter, a co-operative in Nicaragua supplying sesame seed oil. The Body Shop, however, no longer manufactures and buys raw materials itself. It contracts manufacturers in USA/Europe. According to the manager of the Community Trade Programme, there are not many community suppliers able to meet the level of organisation required and the quality and expertise needed.

Yves Rocher works with co-operatives in Burkina Faso to source sesame, and Aubrey Organics has direct sourcing relationships with a number of small co-operative suppliers around the world. It sources aloe vera in Honduras, shea butter in Africa and eucalyptus in Australia. Conservation International, an international NGO, and Croda Inc., a bulk ingredient supplier, established a partnership where Guatemalan communities provided an extract, which was used in a Croda Personal Care line. However, this recently stopped as the line was already 5 years old and other ingredients were more competitive. The challenge is to keep a new ingredient in the market.

Many of EU importers have an Internet site, where interested parties can find more information on the field in which these importers are active. Besides Internet sites of respective companies, the cosmetic suppliers' guide (www.cosmeticsbusiness.com) and Europages (www.europages.com) are other good sources for finding contact details and information on the activities of importers. The most interesting contacts at Europages can be found under the category Chemicals and Pharmaceuticals, subcategories Essences and fragrances non-food, Herbs for medicines and cosmetics, Oils and fats non-food, Import-export - chemicals and pharmaceuticals. The site www.ingridnet.com is a marketing instrument for companies supplying ingredients. The database includes contact details of 10,000 ingredient suppliers and is used by the food, cosmetic and pharmaceutical industries to source ingredients.

Since an ingredient may pass many hands between the source and the end-user, it is difficult to gain an insight into the trade process. A trade fair is a good way to get into contact with companies from all over the world, which could be interested in new suppliers. Please refer to Appendix 2.4 for more information on trade fairs. Moreover, as mentioned in paragraph 7.1, entering into a partnership with one of the bigger European players is another way to gain access to the EU market.

8 PRICE DEVELOPMENTS

8.1 Prices

The prices of natural ingredients for cosmetics can fluctuate widely depending on the raw material. The price level of natural ingredients is influenced by:

- **Quality factors:** Determined by the country of origin, the climate, the crop, the concentration of the ingredients and the extraction method.
- **Economic factors:** Based on supply and demand. The supply depends on the size of the current crop, the carry-over from previous crops and the existence of synthetic substitutes.

Difference is made is made on some price lists of essential oils between spot market and shipment market. On the spot market, the essential oils are delivered directly from the stocks held by dealers. On the shipment market, the oils have to be delivered from the country of origin. In general, essential oils are cheaper on the spot market.

Table 8.1 Import prices of essential oils, April 2004
In €/kg

commodity	price	trend
Amyris, Sandalwood, West Indies	39.00	Firm and uncertain because of the political situation
Bergamot “Reggio”	85.00	Unchanged
Cananga	35.00	Unchanged
Cedar leaf	69.00	Scarce, firm
Celery seed, India	69.00	Steady
Citronella, Java 85/35%	6.60	Slightly weaker
Citronella, Sri Lanka	8.20	Unchanged
Clove leaf, Madagascar	6.50	Steady
Eucalyptus citriodora, Brazil, min. 75%	9.50	Unchanged
Geranium, Egypt	73.00	Unchanged
Ginger, Indian/Cochin	123.00	Unchanged
Grapefruit	26.50/60.00	Firm
Lemon grass, Cochin, min. 75%	13.50/15.25	Steady
Lime dist., Mexico, West Indies	25.50	Stabilised
Menthol, Brazil, USP	27.50	No real change
Menthol, Indian, known brands	12.90	Almost unchanged
Mint (Pepp. Arv.), Brazil	36.50	No real change
Mint (Pepp. Arv.), India	7.50/8.50	Firmer
Nutmeg, Sri Lanka	42.00	No real change
Nutmeg, Indonesia	45.00	No real change
Orange, bitter	nom. 60.00	Practically sold out
Orange, Brazil	4.55	Weaker
Palmarosa, East India, min. 90%	18.50	Steady
Palmarosa, South America, min. 92%	25.50	Weaker
Pepper, India	40.00	Steady
Rosemary, North Africa, Morocco/Tunisia	28.00/31.00	
Rosewood, Brazil	nom. 56.00	Very scarce, only sporadic offers from origin
Sandalwood, West Indies	695.00	Scarce, very firm
Vetiver, Haiti	nom. 110.00	Very scarce, uncertain because of political situation
Vetiver, Java	90.00	Scarce, still high

Source: COSSMA, April 2004

Another factor to be taken into account is the shelf life of certain oils, which can be stored for several years without any significant deterioration of the quality. However, stocks are usually dependent on production levels and demand. Many of the processing divisions or compounding houses hold large stocks, to ensure sufficient supplies. Stocks are also maintained for speculative reasons, which influence market prices.

Oil prices have set a succession of new records in recent weeks, propelled by fears that world oil production is struggling to keep pace with strong demand from the US and China. Concerns over problems in the Middle East and the over the future of Russian oil giant Yukos, have also contributed to the oil price rally. Towards the end of August, US crude hit a new 21 year high of $46.95 a barrel (www.fdl.co.uk, 2004). By the beginning of October, the price had reached more than $50.

Table 8.2 Price developments of coconut and palm kernel oil, 2002-2004 in €/mt

Commodity	Annual averages Jan-Dec 2002	Jan-Dec 2003	Jan-Aug 2004
Coconut oil	316	350	498
Palm kernel oil	312	344	483

Commodity	Quarterly averages Apr-Jun 2003	Jul-Sep 2003	Oct-Dec 2003	Jan-Mar 2004	Apr-Jun 2004
Coconut oil	330	323	396	478	527
Palm kernel oil	315	308	401	464	518

Commodity	Monthly averages June 2004	July 2004	August 2004
Coconut oil	494	503	461
Palm kernel oil	477	466	450

Exchange rate of October 2004 (1 US$ = 0.75 €).
Source: Worldbank Pinksheets, 2004

Table 8.3 Import prices of waxes, February 2004 In €/kg

commodity	settlement/close	previous week	2004 high	2004 low
Beeswax				
Ethiopa c&f	2.800	2.800	2.800	2.450
Tanzania c&f	2.800	2.800	2.800	2.600
China c&f	2.600	2.600	2.600	2.200

Source: Public Ledger, February 2004

Margins
The margins for the different intermediaries in the trade structure (importers, agent, etc.) are difficult to determine, because they are influenced by many factors, such as:

- Size of the order;
- Length of the trade channel;

- Quality of the product;
- Availability of the product;
- Added value

8.2 Sources of price information

The Internet is a good source for obtaining an idea of retail prices for raw materials. Please refer to Appendix 4 for some interesting addresses. At some sites, professional users can request samples and offers for ingredients.

The Internet site of the Herb Growing and Marketing Network includes an herb crop shop, where growers and buyers of botanicals can come together (www.herbworld.com/cropshop/).

The company FDL (Fuerst Day Lawson) publishes frequently market reports on essential oils and aroma chemicals, castor and industrial chemicals, etc. with inside information on the industry and price developments.

The Public Ledger provides news and topical features on world commodity markets, including
regulatory issues and comments from leading industry figures and exclusive interviews with key players. The Public Ledger weekly publishes the latest trading prices for over 700 commodities world-wide, including the following raw materials:

- 38 essential oils including amyris, geranium, lemongrass and vetiver
- oilseeds, oils and fats including soya oil, sunflower seed oil, groundnut/peanut oil, palm oil and castor oil.
- waxes and gums.

The magazine COSSMA monthly publishes prices of a number of cosmetic raw materials (mostly essential oils), such as vetiver oil, citrus oil, patchouli, geranium oil.

ITC provides a market news service for medicinal plants and extracts. This MNS bulletin presents prices and market intelligence for those products for which current information is not readily available, but that is of substantial importance to a significant number of developing countries and has promising market potential. The bulletin is published quarterly and provides information on indicative prices of raw materials and extracts commonly consumed in the region (North America, Western Europe, East and Southern Europe, India, China and Japan), regional demand and supply scenarios including factors influencing the market, industry news including mergers, acquisitions, developments and trade fairs, conferences, and industry events taking place in the region. For subscription, please refer to www.intracen.org.

Finally, FAO and Worldbank provide up-to-date price information on coconut and palm kernel oil:
http://www.fao.org/ and www.worldbank.org/prospects/pinksheets.

For addresses on price information, please refer to Appendix 2.2.

9 EU MARKET ACCESS REQUIREMENTS

This chapter will only deal briefly with the relevant issues within this subject. References to relevant information sources will be made. Since CBI's AccessGuide is an important instrument providing the larger part of the information described below, references to this tool will be made.

AccessGuide
AccessGuide is CBI's database on European non-tariff trade barriers, specially developed for companies and business support organisations in developing countries. Registered companies and organisations have unlimited access to AccessGuide information.

Exporters in developing countries wishing to penetrate the European Union should be aware of the many requirements of their trading partners and EU governments. Standards that are being developed through legislation, codes, markings, labels and certificates with respect to environment, safety, health, labour conditions and business ethics are gaining importance. Exporters need to comply with legislation in the EU and have to be aware of the many market requirements. AccessGuide provides clear information on these standards and their implications.

For more information, please refer to www.cbi.nl/accessguide.

9.1 Non-tariff trade barriers

9.1.1 Legislative requirements

EU product legislation on environmental and consumer health and safety issues is compulsory and, therefore, of utmost importance. Cosmetic ingredients as well as pharmaceutical products have to comply with several legal EU requirements on safety, marketing and Good Manufacturing Practices. Moreover, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) is relevant. In AccessGuide, you will find an analysis of all EU requirements that are applicable in the EU member states. In addition, more strict legislation in The Netherlands, Germany and the United Kingdom is included in the database. You should note however, that the scope of the database is now limited to these countries, although this does not imply that in other EU Member States there is no additional legislation.

Cosmetics Directive 76/768/EEC
The leading legislation determining access to the EU is laid down in Directive 76/768/EEC. This Directive was adopted in 1976 and has been amended six times. (After the 6th Amendment Council Directive 93/35/EEC of 14 June 1993 it was named the Cosmetic Directive.) Cosmetic ingredients are regulated in the annexes of the Cosmetics Directive including the INCI listing of products in the Inventory of Cosmetic Ingredients (further explained under 9.1.2. Quality and grading standards).

The Cosmetic Directive indicates:
- which substances are not allowed in cosmetic products;
- which substances are allowed in cosmetic products up to pre-specified limits and conditions;
- which colorants are exclusively allowed in certain applications in cosmetics;
- which preservatives are exclusively allowed in cosmetics.

Since 1997, cosmetic manufacturers have been under the obligation to hold product information dossiers for all their products, containing the following information:
- the qualitative and quantitative composition of the product;

- the physico-chemical and micro-biological specifications of the raw materials and the finished product, and the purity and microbiological criteria of the cosmetic product;
- the method of manufacture, which must comply with the Good Manufacturing Practices (GMP, further explained under paragraph 9.1.2);
- an assessment of the safety for human health of the finished product; to that end, the manufacturer shall take into consideration the general toxicological profile of the ingredient, its chemical structure and its level of exposure;
- the name and address of the qualified person(s) responsible for the safety assessment;
- existing data on undesirable effects on human health resulting from the use of the cosmetic product;
- proof of the effect claimed for the cosmetic product, where justified by the nature of the effect or of the product.

Please be aware of the 7th Amendment of Directive 76/768/EEC, dated 27th February 2003, the consequences of which for example for essential oils are under much discussion in the cosmetic sector. In general, the aim of this Directive is improving the level of consumer information, for example in the field of animal testing and other product specific information. Producers would need time and effort to find the information required on essential oils and to change labels and reprint them, or even to change the size of labels because of the need to include extra information.

In the case of novel ingredients, which are not regulated under the Cosmetics Directive, the responsibility for the safety of the resulting product lies with the cosmetics manufacturer. In order to assess the safety of such ingredients and have them regulated under the Cosmetics Directive, safety files are prepared by the cosmetics industry and submitted to the Scientific Committee on Cosmetology (SCC, the advisory body of the European Commission), via The European Cosmetic Toiletry and Perfumery Association Colipa. The SCC consists of qualified persons in the different EU member states.

Once a proposal has been accepted by SCC, the European Commission publishes the modification to the Cosmetics Directive in the Official Journal of the European Communities. The member states of the European Union have to implement the modification in their national laws. It is only after publication in the Official Journal of each member state that the substance in question will be permitted to be utilised, according to the conditions laid down in the Directive.

☞ Developing countries wishing to export finished cosmetic products to the EU countries need to meet the above-mentioned requirements. If not, their products will not be admitted to distribution in the EU. For more information, please refer to Part B of the survey.

➢ Please refer to CBI's AccessGuide or the EU Internet site http://europa.eu.int/comm/enterprise/index_en.htm for more detailed information.

Directive System of Information for Dangerous Substances 91/155/EEC
Directives 67/548/EEC and 99/45/EC require producers of dangerous chemicals to provide industrial and professional users with detailed health, safety and environmental information and advice about their products in the form of safety data sheets. Directive 91/155/EEC, as amended by Directives 93/112/EEC and Directive 2001/58/EC, sets out the requirements for the information that should be included in a safety data sheet. The main purpose of safety data sheets is to enable employers to determine whether any hazardous chemicals are present in the workplace, and to assess whether there is any risk to the health and safety of workers and/or to the environment arising from their use. Directive 98/24/EC (which is the responsibility of DG Employment) sets out employers' responsibilities in detail.

The directive specifies that the person who brings the dangerous substance on the market is responsible for providing information by means of the Material Safety Data Sheet (MSDS). Even when a person brings on the market a substance that is not dangerous, the Material Safety Data Sheet is also required to control whether or not the substance is dangerous. In general, exporters in developing countries do not have to send Material Safety Data Sheets to the importers. The importer will guide this process and conduct the tests required. In the MSDS, the following subjects are required:

- chemical product identification
- composition of and information on ingredients
- hazard identification
- first aid measures
- fire fighting measures
- accidental release measures
- handling and storage
- exposure controls/personal protection
- physical and chemical properties
- stability and reactivity
- toxicological information
- ecological information
- disposal considerations
- transport information
- regulatory information
- other information.

Before a cosmetic product can be brought to the market, laboratory research has to be conducted to assess the content of the product. This is relatively more costly for smaller companies than for larger companies, which produce larger batches. Please note that laboratory research can be time-consuming and thus the perishable date of the product should be taken into account.

Because a lot of information is required in the cosmetic industry, MSDS as well as cosmetic raw materials additional data forms are in circulation. In these additional data forms, aspects like substance identity, manufacturing process, raw materials specifications, microbiological conditions, side components, analytical data, toxicological data and ecological data could be specified.

Since the importer will guide this process and conduct the tests required, an exporter in a developing country is advised to make clear agreements with the importer. The importance of developing a good relationship with the importer cannot be over-emphasised.

- For more information on Directive 91/155/EEC, please refer to http://europa.eu.int/comm/enterprise/chemicals/legislation/sds.htm
- For examples of MSDS, please refer to the Internet site http://siri.uvm.edu.
- There is an ISO standard on MSDS: ISO 11014. The safety data sheet for chemical products (Part 1: Content and order of sections) can be downloaded at www.iso.org for CHF 54,00.

In the future cosmetic ingredients will be covered under the REACH process expected to be implemented in the EU starting from 2006. REACH stands for Registration, Evaluation, Authorisation and Restrictions of Chemicals. It replaces the current ineffective and inefficient system of about 40 existing Community Directives and Regulations on chemicals with different rules for existing and new substances, by a single regulation with one consistent approach to controlling risks from both existing and new substances. It aims at maintaining and enhancing the competitiveness of the EU chemicals industry as well as at the protection of human health and the environment. It contains rules about chemical substances on their own, in preparations and in articles. All non-food and non-pharmaceutical ingredients are covered under this future legislation.

Note that the REACH proposal in its current state relies on the existing provisions on classification and labelling in Directives 67/548/EEC4 (substances) and 1999/45/EC5 (preparations). However, the European Commission plans to replace them and implement the Globally Harmonised System for the classification and labelling of

chemicals (GHS) with the aim that the new provisions will enter into force at the same time as REACH.

- At http://europa.eu.int/comm/enterprise/reach/index.htm the document, which describes the main processes and procedures set out in the Commission Proposal for a Regulation of the European Parliament and of the Council concerning REACH, establishing a European Chemicals Agency and amending Directive 1999/45/EC on the classification, packaging and labelling of dangerous preparations and Regulation (EC) {on Persistent Organic Pollutants} from 29 October 2003.

- Besides the CBI's AccessGuide, another important resource regarding up-to-date legislation for cosmetic ingredients is http://pharmacos.eudra.org/F3/home.html, the Internet site of the Unit F3 of Biotechnology, Competitiveness in Pharmaceuticals and Cosmetics. The Unit's overall policy objective is to promote completion of the Single Market and competitiveness within the context of meeting the EU's health and consumer protection objectives.
- Another resource is the Internet site of the European Cosmetic, Toiletry and Perfumery Association www.colipa.com

CITES

Known as CITES, the Convention on International Trade in Endangered Species of Wild Fauna and Flora, entered into force on 1 July 1975 and now has a membership of 160 countries. These countries act by banning commercial international trade in an agreed list (referred to as Appendix I) of endangered species (including plants) and by regulating and monitoring trade in others (Appendix II), which might become endangered. More than 230 medicinal plants species have been added to CITES appendices. Medicinal species on CITES Appendix II include: False hellebore *(Adonis vernalis),* desert cistanche *(Cistanche deserticola),* Asian ginseng *(Panax ginseng),* Himalayan may-apple *(Podophyllum hexandrum),* Himalayan yew *(Taxus wallichiana)* and snake-root *(Rauvolfia serpentina).* Under this listing, commercial trade is permissible, provided specimens of listed species are legally harvested without detriment to wild populations, and valid CITES documentation is obtained prior to shipping.

The lists of species are available through CITES Internet-site at www.cites.org. Council Regulation EC/338/97, Commission Regulation EC/938/97 and EC/2307/97 are the legislative instruments regulating the trade in wild fauna and flora at EU level. These regulations fully implement the provisions of CITES and include a number of stricter measures.

- For up-to-date information on species included in CITES Appendix I and II, please refer to www.cites.org.

9.1.2 Quality and grading standards

Grading standards

Because of the different end products, each buyer has specific quality requirements for the products that are used in their production process. The quality standards to which cosmetic ingredients have to comply are generally very high. They are characterised by Technical Data Sheet (TDS), Material Safety Data Sheet (MSDS) and by the requirements for INCI, EINECS or ELINCS.

The quality of cosmetic ingredients is assessed based on a number of criteria. On one hand, the buyer will use physical indications to form his opinion of the quality of the product. This process is distinctive for every product.

For example, buyers of *essential oils* will assess their quality based on:

- the odour and flavour character;

- physical properties;
- chemical composition;
- purity; and
- absence of adulteration.

The relative significance of each of these criteria to a buyer will depend on the individual *essential oil* and its intended end-use. The assessment of physical indicators is the main determinant of the quality of *essential oils* used in the cosmetics industry. Nevertheless, the buyer can also make use of other quality grading standards.

A range of bodies monitors product quality and trading procedures and draws up specifications for natural ingredients for cosmetics. The most widely recognised standards are those set by the International Organisation for Standardisation (ISO). International (ISO) standards exist for the majority of essential oils. The International Fragrance Association (IFRA), based in Geneva, monitors toxicological and other hazardous aspects of various raw materials used in perfume compounds.
In the case of those cosmetic ingredients that are also used in the pharmaceutical industry, some buyers will ask for cosmetic ingredients, which meet the requirements of the European Pharmacopoeia (this is a certificate which is needed when you intend to deliver to the pharmaceutical industry). These standards specifications are published in the European Pharmacopoeia issued by SDU Publishers.

Furthermore, producers of finished cosmetic products (/preparations) should comply with the Good Manufacturing Practice (GMP) of Colipa (The European Cosmetic Toiletry and Perfumery Association) for cosmetics. This directive states minimum quality and hygiene requirements for the production process of cosmetic products. In general, GMP does not apply to cosmetic ingredients. Moreover, the manufacturer of final cosmetics products implements GMP.

Please be aware that Colipa, being a sector association, for the membership companies. In this way, Colipa is able to influence legislation.

What is GMP?
Good manufacturing practice (GMP) is a system for ensuring that products are consistently produced and controlled according to quality standards.

It is designed to minimise the risks involved in any pharmaceutical or cosmetic production that cannot be eliminated through testing the final product. The main risks are:
- *unexpected contamination of products, causing damage to health or even death;*
- *incorrect labels on containers, which could mean that patients receive the wrong medicine;*
- *insufficient or too much active ingredient, resulting in ineffective treatment or adverse effects.*

GMP covers all aspects of production; from the starting materials, premises and equipment to the training and personal hygiene of staff. Detailed, written procedures are essential for each process that could affect the quality of the finished product. There must be systems to provide documented proof that correct procedures are consistently followed at each step in the manufacturing process - every time a product is made. WHO has established detailed guidelines for good manufacturing practice. Many countries have formulated their own requirements for GMP based on WHO GMP. Others have harmonised their requirements, for example in the Association of South-East Asian Nations (ASEAN), in the European Union and through the Pharmaceutical Inspection Convention. WHO now also have GMP for active ingredients for pharmaceutical products.

It is advisable that producers of cosmetic ingredients implement the procedures and processes of GMP, with a view to obtaining GMP certification in the future. However, obtaining GMP certification depends in first instance on the requirements of the importer and the benefits should be considered against costs and time of the implementation.

Moreover, with the increasing emphasis on environmental aspects and traceability of raw materials, it is recommended that exporters understand and implement the practices of GACP. GACP stands for Good Agricultural and Collection Practices for medicinal plants.

What is GACP?

Medicinal plant materials are supplied through collection from wild populations and cultivation. Under the overall context of quality assurance and control of herbal medicines, WHO developed the Guidelines on good agricultural and collection practices (GACP) for medicinal plants, providing general technical guidance on obtaining medicinal plant materials of good quality for the sustainable production of herbal products classified as medicines. These guidelines are also related to WHO's work on the protection of medicinal plants, aiming at promotion of sustainable use and cultivation of medicinal plants.

The main objectives of these guidelines are to:

- *Contribute to the quality assurance of medicinal plant materials used as the source for herbal medicines to improve the quality, safety and efficacy of finished herbal products;*
- *Guide the formulation of national and/or regional GACP guidelines and GACP monographs for medicinal plants and related standard operating procedures; and*
- *Encourage and support the sustainable cultivation and collection of medicinal plants of good quality in ways that respect and support the conservation of medicinal plants and the environment in general.*

☞ Standards for most natural cosmetic ingredients are, however, of minor importance and the quality should comply in the first place with the requirements of the importer.

- Useful Internet sites on GMP are: http://pharmacos.eudra.org and www.who.int
- For the pharmaceutical ingredients, there are GMP requirements according to the Good Manufacturing Practice for Active Pharmaceutical Ingredients (API). For more information: http://pharmacos.eudra.org/F2/eudralex/vol-4/pdfs-en/v4an18.pdf
- Useful Internet sites on GACP are: www.who.int, www.europam.net and www.emea.eu.int/pdfs/human/hmpwp/003199en.pdf

There is no general EU regulation for vegetable oils and fats. In The Netherlands, the Commodity Board for Margarine, Oils and Fats has compiled the M.V.O. Regulation 1975, Edible Oils and Fats. The worldwide oils and fats trade has established its own set of grading and quality standards. These are laid down in standard contracts issued by the Federation of Oils, Seeds and Fats Trade Association (FOSFA).

Nomenclature

Apart from the grading standards mentioned above, nomenclature (professional language) can be important as it is used to classify cosmetic ingredients:

- ***INCI***

The International Nomenclature Cosmetic Ingredients (INCI) refers to the common nomenclature for labelling ingredients on the packaging of cosmetic ingredients, developed by the European Cosmetic Toiletry and Perfumery Association (Colipa). An INCI name may cover several chemical entities. Assignment of an INCI Name is for cosmetic product ingredient identification purposes only, and does not indicate that the

ingredient is safe for any particular use, nor that the use of the substance as a cosmetic ingredient complies with the laws and regulations governing such use in the United States of America or any other country (CTFA, 2004). Before exporting your ingredient, it is important to register it under an INCI name.

For further information about INCI or for details on how to register an ingredient on the INCI register please visit http://www.ctfa.org/.

For an inventory of ingredients used in cosmetic products, by INCI name, please refer to http://pharmacos.eudra.org/F3/inci/index.htm.

The bulk of the compounds utilised in the manufacturing of cosmetic products may only be identified by their Latin name, or alternatively by the INCI name. To require companies to translate the chemical ingredient names into French and/or English is not considered a safe alternative, because some companies may fail to translate the chemical names accurately or they may merely create their own new name where none previously existed. Problems may also occur as companies attempt to put all the ingredients on the label, in both languages, in such a way as to render the font illegible. This problem is prevalent in Mexico where additional translation is required. Additionally, the creation of new English and/or French words for the chemical ingredient names would also detract from the level of safety provided by the INCI system, because cosmetic ingredient names would no longer be recognisable world-wide. Should companies make use of different chemical names for the same substance, consumers would become confused and safety would be compromised. Additionally, without a designated nomenclature, many companies would use trade names to identify chemical ingredients and the result of this would be that consumers would have no method of understanding which ingredients have been employed in the manufacture of a product and which ingredients they should endeavour to avoid. The INCI system allows for all consumers and medical professionals to have access to identical names in a common reference dictionary.

- ***INN***

The International Non-proprietary Name (INN) is recommended by the World Health Organisation (WHO).

- ***CAS number***

This abbreviation refers to the code number developed by the Chemical Abstracts Service (CAS). The CAS number is an international code enabling identification of chemical substances.

- ***EINECS/ELINCS number***

This refers to the numerical code provided either under the European Inventory of Existing Commercial Chemical Substances (EINECS) for existing chemicals, or under the European List of Notified Chemical Substances (ELINCS) for new chemicals.

EINECS lists about 150,000 substances. If you want to introduce a new product (for example a natural cosmetic ingredient) which is not on the list, you need to register it under the European List of Notified Chemical Substances (ELINCS).

- ***Chemical/IUPAC name***

This field covers the chemical name and the IUPAC (International Union of Pure and Applied Chemistry) name. It covers EINECS names, which make use of the IUPAC nomenclature, or CAS names, which clearly offer a suitable identification of the ingredients.

Useful Internet sites:

- Colipa: http://www.colipa.com/
- INCI: http://pharmacos.eudra.org/F3/inci/index.htm

- INN: http://www.who.int/medicines/organization/qsm/activities/qualityassurance/inn/innguide.shtml
- CAS: http://www.cas.org
- EINECS/ELINCS: http://pharmacos.eudra.org/F3/inci/eina200.htm
- IUPAC: http://www.chem.qmw.ac.uk/iupac/

9.1.3 Trade related environment, social and health & safety issues

Environmental, social, health and safety aspects play a role in preparing natural ingredients for export to the European market. Environmental aspects of products have become a major issue in Europe, therefore, exporters in developing countries should pay attention to these issues.

Many cosmetic ingredients such as oils, fats, proteins, waxes and thickening agents originate in vegetable raw materials (seeds, fruits, roots). The cultivation of crops can have a heavy environmental impact. Oils and fats are esters of glycerol containing three fatty acids. The distinction between oils and fats lies in the fact that oils remain liquid under all temperatures and that fats harden when the temperature falls below 20ºC. Vegetable oils are extracted by crushing seeds and fruits of plants and trees. The crushing process, the extraction of the raw oil, consists of the following stages:

- Pre-cleaning
- Conditioning
- Pressing
- Extraction (with Hexane)

Further extraction takes places through heating and pressing. A further refining process can be applied to suit many different requirements, depending on the objective. The refining process consists of the following steps:

- Get ride of slime (with hot water or condensed steam)
- Treatment with caustic
- Bleaching (by using bentonite)
- Get rid of odour (through steam-destilation)
- Hardening (by using hydrogen and Nickel (as a catalyst))

Emission of substances and solid waste

During the production of oils and fats, several substances are emitted to the air, and wastewater is released. The most important substances that are emitted to the air are Volatile Organic Compounds (VOC) and Hexane. Hexane can pollute soil and groundwater and is toxic in high concentrations. Volatile solvents also contribute to smog production. Other substances, which are emitted to the air, are acetone, esters and ethanol. The most important substances that are emitted with wastewater are phosphate and nitrogen. There are also substances, which are emitted because of the use of energy. This concerns Volatile Organic Compounds, nitrogen oxides, and carbon dioxide and sulphur dioxide. These substances contribute to environmental problems like the greenhouse effect and smog production.

Reduction of the emission of substances and improvement of energy efficiency

The reduction of the emission of hexane during the extraction process of the seeds can be obtained through improvement of the production process. The use of energy can be reduced by the implementation of the following measurements:

- Process improvement
- Heat-exchanging (for example heat recovery)
- Improvement of heating facilities (for example hot water instead of steam)
- Improvement of cooling facilities
- Energy management and optimisation

- Co-generation / combined heat and power

Cleaner production methods
The following cleaner production methods have been developed to reduce the emission of hexane:

- Recovery of hexane from scrap
- Recovery of hexane from raw oil
- Recovery of hexane from the mineral oil system
- Process-integrated optimising of the extraction process

Furthermore, far-reaching pressing reduces the emission of hexane. This is only applicable to oil-rich seeds. The possibility for cleaner refining methods consists of physical refining. Refining with nitrogen is a good possibility; the product attains of better quality, but the costs are higher.

Pesticides
Opposition to pesticide use in general, and to certain groups of compounds in particular, increased strongly in the 80s and 90s. Restrictive legislation has come into force, banning the use of many pesticides and restricting the use of several others. In addition, costly and complicated registration requirements have been imposed on new compounds. Pesticide legislation has hampered research and development of new ingredients.

International aspects
With the realisation of an environmentally sound crop-protection plan, the substance-oriented approach plays an important role. The harmonisation of the admittance policy within the scope of the European Union is of vital importance. Harmonisation is stimulated by bilateral contacts, in the scope of the European Union and world-wide by the Codex Alimentarius, a co-operation between the UN's FAO and WHO.

International aspects of pesticides residue policy are of great importance to importers and exporters. International harmonisation of residue tolerances and policy is necessary to prevent the restriction of trade. There are two major aspects: the conformity of toxicological judgement of the pesticides involved, and the conformity of the need for the use of pesticides, the conditions of the use and the resulting maximum level of residue. A central role is played by the WHO based on the agreement of toxicological judgement via the Joint Meeting on Pesticides Residues.

This meeting led to the determination of the Acceptable Daily Intake (ADI), the amount of pesticides which humans can ingest daily without any risk to human health.

Natural pesticides
One of the serious problems in organic agriculture is the lack of non-chemical alternatives for pest control. Great scope therefore exists in this field for natural-based pesticides, which appear to be safer for both people's health and the environment. For example, pyrethrum and neem oil and extract, which are supplied by developing countries, are often authorised for use in organic agriculture, even though only in the event of breakdown and not as a matter of routine prevention. Pyrethrum is a flower of the chrysanthemum family, of which the blooms contain six pyrethrin esters that are natural insecticides. The product is rapidly degradable in natural sunlight. The neem tree belongs to the mahogany family. Extracts from its seeds and leaves could make effective insecticides as they attack pestiferous species and are biodegradable. Success, equal to DDT, Dieldrin and other synthetic insecticides, has been reported on coffee pests.

Although the possibilities of natural pesticides seem almost endless, some impediments have still to be overcome before their potential can be fully realised. Firstly, the greatest obstacle may simply be a general lack of credibility, or even awareness concerning what

these products are and what they can do. Secondly, the supply may not be as reliable as would be required for their expanded use.

Environmental and consumer health and safety are important for this product group, since the use of cosmetics and pharmaceuticals has to be very safe for the final consumer. Therefore, compliance with additional market requirements might give an added value to the product on EU markets. Like the trend in the food sector, European consumers wish to purchase safe products. As for natural products, product safety is also partly related to the environmental aspects of production (e.g. the use of pesticides). Environmental labels that are gaining importance are the organic production label mainly used in the UK and the international label FSC for (non-timber) products from sustainable forestry. The internationally accepted environmental management system is ISO 14000. Finally, increasing attention is given to the impact of production processes on local environments. In order to encourage 'environmentally sound production', producers made aware of on either 'end-of-pipe' measures or, preferably, preventive pollution measures. AccessGuide contains several documents on this topic.

Certification

Another trend in the market is that increasingly innovative companies are requesting organically certified raw material and value added products, especially for the development of new products. There is, therefore, increasing demand for certified raw material and value added products. Another indication of this trend is that increasingly conventional importers and traders receive approval to deal with organically certified material. Regarding the requirements for organic products, please refer to EU Regulations EEC 2092/91 and EC 1804/1999 (see Legislation in Force at (http://europa.eu.int/comm/agriculture/qual/organic/index_en.htm), or contact Skal (see Appendix 2.6).

A new development, besides organic certification, is certification based on criteria and principles of the Forest Stewardship Council. In 2001, a Brazilian company earned FSC certification for 80 thousand ha of native forest, where extraction of raw materials for producing medicines and cosmetics takes place.

For more information, please refer to CBI's EU Market Survey "*Food Ingredients for Industrial Use*" and "*Organic Food Products*".

Social requirements

Besides legal requirements by governments (as dealt with in Section 9.1.1), you might be confronted with social requirements that are increasingly requested by EU market parties such as importers, retailers and end consumers. Although they are not part of official legislation, they need to be taken into account by producers in order to be competitive. CBI stresses the importance of social requirements and urges producers to be aware of their contents.

In AccessGuide, you can find relevant documents on social standards such as the ILO Conventions, which are internationally used as basic social requirements, the universal standard SA8000 and the Fair Trade initiative. In The Netherlands, The Max Havelaar Foundation has a programme for cocoa (certified cocoa butter is for example used in The Body Shop cosmetics).

For more detailed information, please refer to CBI's AccessGuide.

Occupational health and safety

Occupational health and safety requirements have been developed because of the rising concern in Europe about the local conditions in which products are grown and manufactured. Occupational health and safety, being part of labour conditions, is a very important issue when looking at the contents of social standards requested on EU markets.

The production of natural ingredients for pharmaceuticals and cosmetics encompasses various highly differing production processes, from the growing of the natural crops, to the processing into ingredients or the production of cosmetics or pharmaceuticals. Therefore, the associated occupational health and safety aspects vary enormously. In AccessGuide, you can find a document specifically on occupational health during the production of natural ingredients for cosmetics and pharmaceuticals.

9.1.4 Packaging, marking and labelling

Directive 79/831/EEC details 'laws, regulations and administrative provisions relating to the classification, packaging and labelling of dangerous substances'.

There are many ways of packaging cosmetic ingredients, depending on the product, the buyer and the legislation. The exporter should reach an agreement with the importer as to which package to use. Products are sometimes repackaged by intermediate traders.

In general, legal requirements for raw materials specify that the following aspects must be indicated on the label:

- of which material it is; and
- from which batch the material comes.

Further, it is highly recommendable to include the following aspects on the label:

- name and address of the producer/exporter;
- net weight; and
- recommended storage conditions.

The overall trend in Europe is towards facilitating re-use and recycling of packaging through incentives. In order to harmonise the different forms of legislation, the EU has issued a directive for packaging and packaging materials (Directive 94/62/EC) in which minimum standards are regulated. Maximum concentrations of lead, cadmium, mercury and chromium allowed in packaging are: 250 ppm and 100 ppm after 30 June 2001.

Most of the time, packaging policy does not affect 'foreign' manufacturers because importers will be held responsible for the packaging. However, sensible marketing requires taking the obligations for the importer into consideration. That means that packaging materials should be limited and re-useable or recyclable. Otherwise, the importer will be confronted with additional costs, thus reducing the competitiveness of the exporter.

Cosmetic ingredients transported on wooden pallets tend to be no longer accepted by cosmetic producers due to the susceptibility of these pallets for bacterial infections. Plastic, aluminium or stainless steel pallets are preferred. Oils and fats are generally transported in iron drums.

Useful sources on packaging:

- Information on environmental aspects of packaging and specific information about packaging, marking and labelling of the various products can be found at CBI's AccessGuide.
- The CBI market surveys "*Food Ingredients for Industrial Use*" and "*Organic Food Products*".
- The publication "*Guideline for classification and labelling of essential oils for transport and handling"* of the International Federation of Essential Oils and Aroma Trades (IFEAT).
- ITC at www.intracen.org/ep

9.2 Tariffs and quota

The range of natural ingredients is very wide and it is not possible to give an overview of the EU tariffs for all products. Tariffs on raw materials are generally low, in particular for

raw materials originating in developing countries. In order to support exports from developing countries, the EU operates the Generalised System of Preferences (GSP). Under the GSP scheme of the EU, imports from a number of developing countries are admitted at a reduced tariff and imports from a group of least developed countries at a zero tariff.

The box below gives an overview of the tariffs for selected natural ingredients. For a number of developing countries a zero tariff is applied, and a number of countries encounter the special tariff, which is lower than the general tariff.

Product group	General tariff	Tariff for developing countries
coconut butter, fat and oil (1513)	0-12.8	0-8.9
coconut oil (1513)	0-12.8	0-8.9
peanut oil (1508)	5.1-9.6	0-2.9
essential oils (3301)	0-11	0
castor oil (1515)	0-12	0-8.9
medicinal & aromatic plants (1211)	0-11	0
plant extractives (1301 + 1302)	0-19.2	0-13.4
colouring matter of vegetable or animal origin (3203)	0-2.5	0
seaweed & other algae (121220)	0-11	0

Source: http://www.europa.eu.int/comm/taxation_customs/dds/en/tarhome.htm

A form A or EUR I form has to be provided, in case a general tariff is applicable and the exporter from a developing country wants to take advantage of the GSP tariff.

It is very important to realise that this information is more complex than indicated above (because of exceptions and special rules) and that this information is subject to continuous changes. Therefore, this information can only be considered as an indication for the actual situation. For exact and up-to-date information on import duties one should contact the local Chamber of Commerce or Trade Promotion Office. Information can also be obtained from the Chamber of Commerce in Rotterdam, the European Commission or the Customs department. Another option is to consult the Internet-site of the Netherlands Customs where the General Customs Tariffs for all products are listed, including exceptions that are made for import from specific countries. This information, written in the Netherlands language, is up-dated everyday.

Value Added Tax (VAT)

All fiscal borders disappeared in the EU on 1 January 1993. The EU decided at that moment that all VAT (tax levied at the consumption level) rates for natural ingredients for cosmetics should be harmonised at a high level.

Table 9.1 VAT rates applied to natural ingredients for cosmetics in (new) member states, October 2003, in %

Country	VAT rate	Country	VAT rate
Austria	20	Latvia	18
Belgium	21	Lithuania	18
Czech Republic	22	Luxembourg	15
Cyprus	15	Malta	15
Denmark	25	The Netherlands	19
Estonia	18	Poland	-
Finland	22	Portugal	19
France	19,6	Slovenia	20
Germany	16	Slovak Republic	19
Greece	18	Spain	16

Hungary	25	Sweden	25
Ireland	21	United Kingdom	17,5
Italy	20		

Source: European Commission Directorate-General Taxation and Customs Union (2003)

For information on VAT rates applied in the member states to natural ingredients for pharmaceuticals, please refer to CBI's EU Survey "*Natural Ingredients for Pharmaceuticals*". In contrast with natural ingredients for cosmetics, no standard VAT rates are applied to natural ingredients for pharmaceuticals.

Useful Internet sites	
Netherlands Custom Services	http://www.europa.eu.int/comm/taxation_customs/dds/en/tarhome.htm
Directorate General XXI	http://europa.eu.int/comm/taxation_customs/publications/info_doc/info_doc.htm

Thus far, the previous part of this market survey – Part A – provided market information on the EU market for natural ingredients for cosmetics and on the requirements for market access. The next part – Part B – aims at assisting (potential) exporters in developing countries in their decision-making process as to whether to export or not.

PART B:

EXPORT MARKETING GUIDELINES: ANALYSIS AND STRATEGY

How do you get involved in the international marketplace? How much time and money will it take? Should you make exporting part of your business plan? These are common concerns of producers who realise the importance of international trade, but are not sure if exporting is for them. That is what Part C is all about: to help you to evaluate whether to get involved in international business, and learn how to go about exporting.

The first Chapters 10, 11 and 12 treat three out of four strategic steps in export marketing: the external analysis and internal analysis (Chapter 10 and 11), a SWOT (Chapter 12) and the decision-making process whether or not to export. By matching external opportunities and internal capabilities, the exporter will be able to identify suitable export products, target countries, market segments, and possible trade channels.

Subsequently, Chapter 13 provides sector specific knowledge and sources to enable the exporter to further investigate what to export, to which markets, through which channels, and at what prices. In other words, which **marketing tools** can be used to build a successful business relationship? The combination of Chapter 10-12 and the elements of Chapter 13 provides tools that should enable the exporter to draw up a Market Entry Strategy and Export Marketing Plan.

Keep in mind that the export marketing process is integrated; each individual part is inter-linked.

The information provided in the previous parts of this survey is an essential ingredient in conducting the analysis and formulating a clearly targeted export strategy. Where applicable, reference will be made to the concerning sections in Parts A and B.

For general information on export marketing and how to conduct market research, please refer to CBI's "*Export Planner"* and CBI's new manual on market research "*Your Guide to market research"*.

10 EXTERNAL ANALYSIS: MARKET AUDIT

The external analysis assists the exporter to identify market opportunities, suitable sales channels and other relevant external factors.

10.1 Market developments and opportunities

As a first step towards the identification of the most suitable export markets, the exporter needs to research the importance of potential markets and understand the on-going developments that shape the market structure. This should be done by means of a systematic method of market research, involving a preliminary screening of potential markets followed by a more detailed assessment of the targeted markets.

Markets can be researched using primary or secondary data sources. Primary market research means collecting data directly from the foreign marketplace through interviews, surveys, and other direct contact with market participants. Primary research has the advantage of being tailor-made to meet your company's needs and provide answers to specific questions, but this data collection can be very time-consuming and expensive.

For a global scan of the market, most companies make use of secondary data sources such as trade statistics, to focus their marketing efforts. This type of research is a valuable and relatively easy first. Specific market developments as described in Chapters 3, 4, 5 and 6 of this market survey, for instance, can be used as a starting point for your export market research.

Results of the research inform the company of the largest markets for its product, the fastest growing markets, market trends and outlook, market conditions and practices, and competitors and their products. Based on all the information, a company must decide which markets are the most promising.

☞ Besides the European market, exporters in developing countries should keep an eye on developments on other national, regional and international markets. First of all, because of international developments in the industry and, secondly, to be not solely dependent on one market sector. In this way, fluctuations in the international market can be buffered by demand in the national and regional market. However, in general, when starting with exporting it is better to focus on one market and one market segment.

Questions that need to be answered:

- Market size: What is the (estimated) market size for your potential export products? Try first to focus on your product group, then on your specific products.
- Market developments: How has the total market volume developed during the last 3-5 years? If there is no information on specific natural ingredient, then try to obtain information on the development of the market for finished products. It is for instance not possible to obtain exact figures on sales of ylang ylang. Still, from the stagnating sales of perfumes, you can determine that the market for ylang ylang in all probability is also sluggish. It must be noted that, for some products, this kind of determination is difficult since those products are not used solely by the cosmetic industry, but also by the pharmaceutical and food industries.
- Imports: How have imports developed during the last 3-5 years? Again, there probably is no specific information on all products available.
- Are importers and potential business partners in the EU interested in new suppliers of your particular products?
- Price development: How have the prices of your product developed during the last few years? Again, there probably is no information on all specific products available.

Where to find information?

- ⓘ The market information described in **Part A of this market survey** can be very useful as a starting point for your export market research. Where applicable, the sources for this market information are also mentioned in the specific chapters.
- ⓘ Moreover, CBI provides some useful manuals: "Your Guide to Market Research" and "Digging for Gold, EU marketing information".
- ⓘ For more general information, you can use the EU statistics bureau **Eurostat**: http://europa.eu.int/comm/eurostat
- ⓘ For a list of the European **national trade statistics bureaus**, please refer to the Eurostat Internet site.
- ⓘ In some cases, **trade associations** are able to assist you with more specific information on product trends. For a list of trade associations please refer to Appendix 2.2.
- ⓘ **Trade press**
  Useful sources for information on market developments are (international) trade magazines which can be relevant for exporters who want to develop a better insight into the EU markets. Some of the most interesting magazines for exporters of natural ingredients for cosmetics are:
  - Parfums Cosmetiques Actualités (French, with excerpts in English)
  - Euro Cosmetics (English, German, French)
  - COSSMA (German, English)
  - Soap, Perfumery and Cosmetics (English)
  - Cosmeticos Nuevos (Spanish)
  - SOFW – Cosmetic Ingredients International (German, English)
  - CTMS (English)
  - Inside Cosmetics (English)
  - International Journal of Cosmetic Science (English)
  - Manufacturing Chemist (English)
  - C&T – Cosmetics and Toiletries (English)
  - Happi Magazine (English)
- ⓘ **Other relevant sources of information**: Most of the companies that use natural ingredients acquire information on a species' traditional use and scientific validity through literature, database, intermediary suppliers, trade shows, and other outlets in their home countries. Raw material and bulk ingredient suppliers might promote new natural ingredients to finished product manufacturer, or supply ingredients or formulae that manufacturers have identified through the literature as of possible interest.
- ⓘ Last but not least, **internet** provides you easily more and more direct market information. In this survey several examples of useful Internet sites are given.

Market access requirements

Quality standards and other non-tariff barriers

Section 9.1 of this survey described a wide array of non-tariff barriers, which are applicable to exporters of natural ingredients for cosmetics. It is important to determine which standards and regulations apply to your situation. Not all standards are compulsory or widely recognised by your potential customers.

For exporters of natural ingredients for cosmetics, a compulsory regulation like Cosmetics Directive 76/768/EEC can embody a major obstacle to export to the European Union. Not only general regulations, which prohibit the import of certain substances, colorants or preservatives, but also the costs of inspection at the border, could represent a major barrier.

What is more, many European importers entering into a co-operation agreement with an African, Asian or Latin-American company introduce their own quality system. Regarding

quality standards, an exporter should distinguish between product quality standards (i.e. GMP, GACP) and process or management quality standards (ISO 9000 and ISO 14000). In general, legislative requirements are more important than ISO, since those requirements often determine whether or not the European importer decides to enter into a relationship. In some cases, the importer will assist the exporter with product adaptations so that traded products comply with European requirements.

Currently, many countries including the United States, Australia, Japan and the members of the European Union require ingredient disclosure on cosmetic products. Furthermore, the majority of these countries requires that the ingredients be listed using the International Nomenclature for Cosmetic Ingredients (INCI) system. Companies distributing natural cosmetic ingredients should include a listing of ingredients on their products.

Keep in mind that regulations and standards can change from time to time. Therefore, it is recommended to check the up-to-date situations with importers or the relevant organisations.

Questions that an exporter should answer are:
- What standards are set on the quality of products?
- What standards on the quality of your company (ISO)?
- To what degree do Cosmetic Directives apply to your products?
- Especially in the case of medicinal plants that is collected from the wild, it is important to check if CITES regulations apply.
- What is the importance of environmentally sound production methods?

Where to find information?
ⓘ In Sections 9.1 of this survey, you can find information on quality standards; trade-related environmental, social and health & safety issues; and packaging, marking and labelling. This section also provides Internet-sites like CBI's AccessGuide, which can be of assistance in obtaining product specific information.
ⓘ Other potentially useful information sources are colleague exporters and European importers.

Tariff barriers
In Section 9.2, current tariffs on imports of ingredients for cosmetics were dealt with. In general, tariff barriers are important for bulk replacement products. Exporters should not only look at the current tariff, but also consider whether the tariff will remain the same for the coming years. It is also important to bear in mind that changes in the level of import tariffs applicable to other countries may influence your competitive position. However, in general, a lower tariff applies to developing countries.

Questions that an exporter should answer are:
- Are there import restrictions that limit sales opportunities?
- Which import tariffs apply to your export products?

Where to find information?
Refer to Section 9.2, for information on applied import tariffs. This section also provides Internet-sites that are helpful to find product specific information.

10.2 Competitive analysis

Generally, competitors and their pricing will have a direct effect on the potential of your trade opportunities. It is, therefore, important to learn more about your competitive environment, companies as well as countries.

As an initial step towards understanding your competition better, you should prepare a list of all the competition and then pinpoint who your main competitors are. Those who have most overlap with your product range and, moreover, who supply under better conditions (regarding price, quality, delivery conditions, extra services etc.) are your main competitors. To learn more about competition you can do secondary research study by asking customers and suppliers for their opinions. You can also prepare a list of your main competitors' strengths and weaknesses.

Constantly check with customers and suppliers to see if they have heard of any new businesses. These sources may also give you some insight into where and how the competition is selling its products. Which trade channels are used by your competitors, and why?

Useful information can also be found in this survey: Chapter 4 gives you insight into production of natural ingredients in the EU; Chapter 5 describes the major supplying countries outside the EU.

Trade shows can of course be helpful for gaining contact with new customers and learning about market developments. They can however also be used for finding out more about competition. Take the time to attend industry trade shows to check out your competing companies and their products.

In many cases, suppliers of ingredients for cosmetics in developing countries benefit from their climatic conditions, labour costs, costs of raw material, costs of land etc. This is often one of the most important factors that positively distinguish your company from competitors in other countries, particularly from competitors in Europe. Other positive factors already mentioned in the previous section are low or zero import duties.

Other factors can weaken your competitive position. European companies for instance have the advantage of being, both in a geographical and cultural context, close to their customers and end-market, which in general makes marketing of products and communication easier. Another important difference is the fact that processing technology and input is readily available to European companies.

Suppliers of ingredients of cosmetics in other developing countries also represent an important group of potential competitors. You can find useful information in Chapter 5 of Part A on product streams originating in these countries. Furthermore, several relative weaknesses of ingredient producing companies in developing countries, competing with better-organised global companies, are given in the internal analysis of Chapter 11.

☞ Please note that, although it is always good to observe your competitors, in case of ingredients for cosmetics often a partnership between exporters is recommended. Because demand is larger than supply, exporters can together keep the prices high. Moreover, a partnership can lead to better logistic systems, better purchasing conditions for packaging, combined promotion actions, lobbying etc.

Important questions to be answered are:
- How many suppliers are currently active in the market?
- Who are your main competitors? What are their strengths and weaknesses compared to your company?
- To what degree are competitors in the target market supported by the local government?

10.3 Sales channel assessment

☞ *The information provided in Chapter 7 of Part A should be used as a starting point.*

Having assessed the prospective markets and market segments, it is now also important to understand the trade structure and supply chains supplying these market segments. After the assessment of the exporter's capabilities (next chapter), the exporter is able to determine the most suitable sales channel.

In the case of natural ingredients for cosmetics, the following channels are relevant:

- Raw material and bulk ingredient suppliers might promote new natural ingredients to finished product manufacturers, or supply ingredients or formulae that manufacturers have identified through the literature as of possible interest.
- Many natural personal-care companies have grown out of strong personal interest in natural ingredients on the part of the founder (e.g. Ales Group, Aveda, The Body Shop, Yves Rocher, Rainforest Nutrition). This often translates into continued interest and involvement in new product development, including field trips to collect samples for further study in the company's laboratory (ten Kate & Laird, 1999).
- Large companies with screening programmes sub-contract brokers, research institutions, and other intermediaries. These intermediaries collect samples in a similar way as for the pharmaceutical industry, but with greater emphasis on traditional use, and an eye towards raw material sourcing strategies, which are of immediate concern to companies in the personal care and cosmetics industry.
- There are also specific research and training centres specialised in extraction and purification processes, offering services to companies involved in the food industry, pharmaceuticals and cosmetics (e.g. Archimex in France).
- Since for cosmetic ingredients high quality is required, joint ventures or other forms of partnership are popular. This became clear from a B2B (business-to-business) meeting organised after the In-Cosmetics trade fair in 2004 by CBI and UNCTAD. Several European buyers showed interest in partnerships.

When deciding whether to market indirectly or directly, exporters should consider the following factors: size of your company, nature of your products, previous export experiences and expertise and foreign market conditions. The two types of trade relations can both be found in the international natural ingredients industry.

B2B: advantages for suppliers

- Long-term and more stable commercial ties
- Fair prices and revenues
- Potential for expanding/ entering into new markets
- Fair trade principles
- Risk mitigation
- Skills and technology transfer from larger business
- Best practices related with bio trade activities
- Improving natural resources' management

B2B: advantages for buyers

- Strengthened and stable supply chains and sustainable development creation
- Cost efficiency and stability
- Product innovation
- Enhanced public image through better corporate social responsibility
- Quality improvement and tracing
- Support sustainable value chains with adequate use of natural resources

Important questions to be answered are:

- Which potential sales channels exist?
- Which products do the different sales channels trade?
- What are the most important requirements of the identified sales channels? What are the conditions for an exporter to take part in a specific supply chain?
  - What quality standards do the sales channels demand?
  - What kind of packaging is used in the various sales channels?
  - What are the requirements concerning production process (environmental, ISO, GMP, etc.)?

Where to find information

ⓘ Refer to Chapter 7, and Section 7.2 in particular, for information on potential sales channels.
ⓘ To get in touch with an European partner (for a joint venture for example) it is recommended to contact a local embassy of the country you want to export, the local European delegation, a local Chamber of Commerce or Export Development Board. These organisations can also give you information on when trade delegations from the EU are visiting your country. Direct matchmaking is also possible through for example the CBI News Bulletin, in which you can offer products and proposals.
ⓘ Again, customers, importers or colleague exporters are useful information sources!

10.4 Logistics

When transporting products overseas, the exporter ideally looks for the fastest and most efficient mode(s) of transportation that will deliver the product in perfect condition at the lowest possible costs. The actual selection will be a compromise among these factors.

In the case of natural ingredients for cosmetics, three types of international transportation can be recognised: ocean cargo, air cargo and truck cargo.

- Ocean transportation takes longer than airfreight, but the costs of transportation are usually lower. This kind of transportation is most suitable for dried raw materials and for a number of oils.
- The cost for moving products by air tends to be higher than the cost of ocean transportation. This type of transportation is used for value added products, such as essential oils and extracts.
- Truck cargo in the EU can only be used for imports from nearby located countries such as Turkey, Balkan and other countries in Eastern Europe, and Morocco. Different options of formats etc. exist for this method of cargo.

Freight rates also vary depending on the product being shipped, its value, level of service provided, destination, weight, and seasonal variations in demand for cargo space. Please pay attention to which system is being used: the metric system (used in most EU countries) or Anglo-American (used in the United Kingdom).

Freight forwarders

It is a good idea to use a freight forwarder to arrange transportation services on your behalf. They can simplify the shipping process because they are familiar with import and export regulations. It is important to use a forwarder that is experienced in handling natural ingredients or other perishables, as well as one that is experienced in the destination country. Freight forwarders can also assist you in handling all the documents. Freight forwarders are cost effective to use, because they can negotiate the best rates with airlines. They usually operate on a fee basis paid by the exporter, and these are part of the cost price.

Cold chain

Cold chain is required for a limited number of products (fresh plant material or special plant extracts, mostly used for intermediate products of Aloe vera). Critical point of interest regarding transport, just as during storage, is proper refrigeration. In handling perishable products, maintaining a cold chain is a major logistical issue. It determines for a large part the quality of the product as it arrives at the destination. The saying is "one hour lost in departure to being refrigerated will be one day less for the sale in the destination". Check whether you and your freight forwarders are able to manage the cold chain. Make use of temperature recorders to check whether your products travel in optimal climatic conditions during their entire voyage. A reliable freight forwarder with a cold store at the airport or good management of the temperature in the containers is recommended to keep the cold chain in control.

Packaging
Packaging is used for hygienically purposes and to protect against mechanical damage. It is an essential factor in determining the product's quality. However, according to the way in which packaging sometimes is applied in developing countries, it can also be a risk to quality, due to bruising and less than optimum conditions of temperature.

The packaging has to satisfy conditions in the field of handling. The transportation volume must be as efficient as possible and a high level of uniformity is desirable. Packaging design should consider the following:

- Proper storage and transport;
- Standard packaging sizes;
- Recyclable materials or two-way systems.

Points of interest when choosing the right packaging:

Have your customers ever complained about the quality of your products?
Look for possible causes:

- □ Unsuitable packaging material (avoid unnecessary re-packing by the customer)
- □ Insufficient cooling during transport
- □ Too many damaged boxes on arrival
- □ Differences in weight mentioned and real weight
- □ Other causes

In the case of marine transport, different kinds of products shipped together in one container should have compatible:

- □ Temperature needs
- □ Relative humidity needs
- □ Airflow characteristics

Does your importer use special transport packaging?

- → Perhaps you could use this special transport packaging as well? Using the wrong packaging size can have a negative effect on your business.
- → Maybe you could make use of the importer's packaging know-how.

Fully recyclable packages must be used when trading with certain business partners.

- → Colouring materials, used for printing, should not be harmful to the environment.
- → Do not use metal clips for the cartons.
- → Avoid waxed boxes or any combined packaging materials

Documentation
Producers, traders and processors of medicinal and aromatic plants, should comply with the GMP guidelines. They should document their products by a waybill (batch documentation) and demand that their partners also adhere to these requirements.

☞ *In Section 9.2, several methods of packaging for different natural ingredients are described. The exporter should always discuss the preferred type of packaging with his European trading partner or organisation.*

Important logistic questions to be answered are:

- How often does the sales channel require delivery? What cycles of delivery does this channel require? Are you able to deliver this often?
- What lot sizes does this sales channel demand? What lot size are you able to produce?
- What formalities does the sales channel require to be handled by the exporter?
- What are the typical costs of logistics? (Check with freight forwarders)
- Is it profitable to co-operate with other exporters?

Where to find information:
ⓘ Airfreight forwarders and air carriers are the best sources for obtaining freight rates. There are also companies that specialise in publishing air cargo tariffs. These publishing companies charge a fee for their services.
ⓘ International Federation of Freight Forwarders Association (FIATA): http://www.fiata.com
ⓘ Directory of Freight Forwarding Services: http://www.forwarders.com
ⓘ International Air Transport Association (IATA): http://www.iata.org
ⓘ Extensive lists of freight forwarders can be found at: http://www.cargoweb.nl and http://www.shipguide.com

10.5 Value chains

The value chain covers the full range of activities required to bring a product from its conception to its end use and beyond, such as research and development, raw material supply and all activities of production, marketing and sales to international buyers, and beyond that to disposal and recycling. Activities that comprise a value chain can be contained within a single company or divided over different companies, and can cover a single geographical location or be spread over wider areas.

The value chain approach is a systematic approach for designing strategy with respect to buyer requirements and market conditions (market access regulations, standards and consumer preferences) that a company has to conform to, in order to gain access to a market and be competitive.

The value chain approach builds upon sustainable supply chain management, by providing a framework to:
- improve efficiencies within the existing supply chain (thereby enhancing sector competitiveness);
- capture and retain a higher proportion of the product's final market value within the existing value chain;
- increase the sector's added-value by establishing new value chains within the sector;
- improve the sector's contribution to development objectives.

From a company perspective, the value chain approach offers more than a theoretical concept. It is a very practical tool for analysing linkages in the supply chain and for accessing potential for capturing, retaining and adding value to the company's product, keeping in mind its final user.

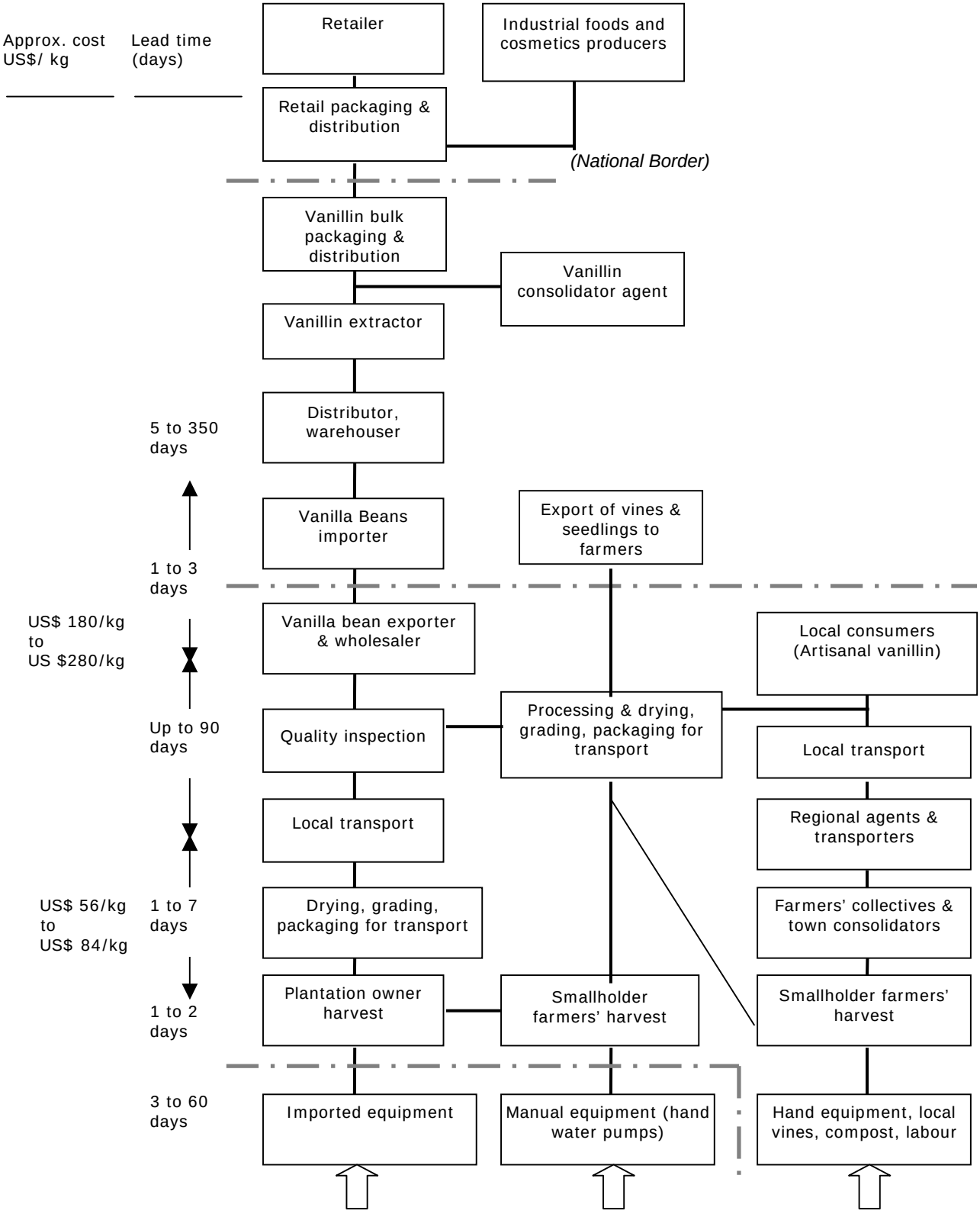
Guiding value chain analysis at company level

a. Try to note all the steps required to progress from raw materials to end-users.
b. Make this list as detailed as possible since one of the objectives of value chain analysis is to understand where, when and how to simplify or adjust the chain.
c. Determine the value each step adds to the final product from the point of view of the end user.
d. Once this chain is clear you can explore avenues to increase your profitability as well as increase the benefits to the end user; for example:
   - identify which steps can be combined to more efficiently add value;
   - determine which steps are not adding any value but just adding costs;
   - determine better communication flows in both directions to assist rapid change to market factors;
   - determine your own "value niche" along this chain.

It is important to understand where you, as a processor, fit into the supply chain, to ensure that the value you add continues to be important both for your direct customers as well as for you customers' customers. The value chain can be a useful tool to help in this process.

As an example, Figure 10.1 shows the value chain for Ugandan organic vanilla and vanillin has been adapted from ITC. Vanilla and vanillin are used in the food industry as well as in the cosmetic industry. The figure illustrates each link in the value chain, its function, and its linkages with prior and subsequent stages. Moreover, it shows exactly how much value is added at each stage. With such an overview, one can determine one's function in the value chain and, if possible, improve one's competitive position in the value chain.

Figure 10.1 Value chain for Ugandan organic vanilla and vanillin



Source: Ian Sayers, International Trade Centre (UNCTAD/WTO) Geneva, 2003
Note: Exports of uncertified organic vanillin from Uganda amount to approximately US$10 million.

Costing and pricing in the value chain
Also shown in Figure 10.1 is the value addition at the various stages of the supply chain. The added value could be analysed by deducting all costs from the market prices. As is also clear from the Figure, prices paid for materials increase significantly along the value chain. This analysis requires involvement of all stakeholders in the supply chain, in order to be able to identify proper cost and price calculation. Only if there is transparency at the different levels, will it be possible to determine fair costing and pricing, which in turn will enhance awareness and importance of the potential for value addition in the supply chain, and thus the potential for sector development in a national context.

Critical factors for building a competitive advantage
The presentation of success stories by entrepreneurs in developing countries highlighted the following as **critical factors** for building a competitive advantage:

- Increasing the range of products and identifying market demands.
- Cost and price calculation based on a business plan.
- Putting the emphasis on the quality of the product, and exercising strong control on the tracking and tracing of products.
- Introducing the use of new technologies.
- Promoting involvement and loyalty of staff, as well as integration into the life of the local community.
- Co-operating with buyers, in order to obtain necessary pre-financing, technologies or packaging.
- Reducing the number of middlemen.

☞ Factors that contribute to **success** are: niche products for niche markets, moving up the value chain through R&D and processing, responding to the ever-rising demand from consumers for higher quality standards, or shortening the distribution chain to capture a greater market share.

Please also refer to Chapter 8 and Section 13.3 for information on developments of prices and price setting.

For more information about the value chain approach, see e.g.
http://www.tradeforum.org/news/fullstory.php/aid/529

10.6 Product profiles

Next tables list the product profiles of 2 important natural ingredients for cosmetics: shea butter and castor oil.

PRODUCT PROFILE SHEA BUTTER

1. Product name: Shea butter — INCI[1] name: *Butyrospermum parkii*

2. Market requirements:

Quality standards:

A standard analysis for oils and fats is required by importers. This analysis includes a check of colour, acid value etc. The following is a benchmark for the composition of the shea nut required for import:

Free Fatty Acids (FFA) = less than or equal to 6%
Moisture Content = less than or equal to 7%
Oil Content = greater than or equal to 45%
Latex = 4-10%

The oil content is the most crucial element of the shea nut. If the oil content is higher and the FFA and moisture content is lower, then the exporter will receive a price premium. Shea butter buyers may also specify its iodine value and a melting point of between 30° C and 40° C - which signifies a minimum purity. Needless to say, the product should be free of foreign bodies. Users in the cosmetic industry want a very highly refined butter product (such as the butter of *Vitellaria nilotica*) and may require a detailed specification of the different fatty acids, the refractive index and a saponification value (www.raise.org, 1999).

Minimum labelling:

Legal requirements for raw materials specify that the following aspects must be indicated on the label

- product name
- of which material it is, and
- from which batch the material comes.

Deliveries must be accompanied by a Material Safety Data Sheet (generally handled by the importer). Further, it is strongly recommended to include the following aspects on the label:

- name and address of the producer/exporter;
- net weight; and
- recommended storage conditions.

Packaging: Packaging of shea butter takes place in drums or in cardboard boxes. The covers of the drums should be wide. Drums with narrow covers are not appropriate for fats. Packaging size is 25-50 kg.

Import regulation:

Relevant import documents:
- EUR 1 form for ACP countries
- FORM A for other developing countries

3. Market structure:

Export price: ca. US$ 2/kg

Main markets:

The main European importers are France and Germany, followed by the UK.

Market trends: There is increasing demand for shea butter from the cosmetic industry. It is used as a substitute for cocoa butter.

A market and technical survey on shea nuts (1999) can be downloaded from http://www.raise.org/natural/

4. Main suppliers:

The leading supplying countries of shea butter are Mali, Burkina Faso, Benin, Senegal, Ivory Coast, Ghana, Gambia, Nigeria

5. How to improve the quality:

Harvesting of shea nuts occurs during a long period. The harvest is often not stored and lies uncontrolled in the sun, negatively impacting the quality of the raw material. Quick pre-processing is necessary. Shea butter should be stored and transported under cool, dry and dark conditions. More information at http://www.sheainstitute.com or www.sheabutter.com

[1] *International Nomenclature Cosmetic Ingredients*

PRODUCT PROFILE CASTOR OIL

1. Product name: castor oil — INCI name: *Ricinus communis*

2. Market requirements:

Quality standards: Standards include general criteria for oils dependent on the oil status (crude or refined).

Minimum labelling:
Legal requirements for raw materials specify that the following aspects must be indicated on the label

- product name
- of which material it is; and
- from which batch the material is.

Deliveries must be accompanied by a Material Safety Data Sheet (generally handled by the importer).

Further, it is strongly recommended to include the following aspects on the label:

- name and address of the producer/exporter;
- net weight; and
- recommended storage conditions.

Packaging: Castor oil is shipped in standard 200-220 litre iron drums, containing approximately 180 kilograms of oil.

The producer is responsible for correctly sealing the containers and ensuring that the containers have adequate air space between the surface of the oil and the top of the container.
Although the use of second-hand drums is widely accepted for a number of oils, the importance of thorough cleaning to remove all trace of impurities which would affect the smell character of the oil, and of ensuring that epoxy-resin linings are intact and not cracked, cannot be overstated.

Import regulation
Relevant import documents:
- EUR 1 form for ACP countries
- FORM A for other developing countries

3. Market structure:

Export price (Public Ledger, February, 2004): Price level depends on quality of the oil.
Any origin ex-tank Rotterdam: US$ 945/tonne (spot); Commercial FOB Kandla US$ 820/tonne (May/June, 2000); First special grade FOB Kandla US$ 830/tonne (February/June, 2004).

Market trends:
While global castor oil production has stagnated at around 4.5 lakh tonnes a year for some time now, the end-users are constantly looking for the opportunity to shift to cheaper, steady-priced and more easily accessible alternatives. As a dominant producer and exporter of castor oil, India has to play a vital leading role in rejuvenating the future of the castor business and create conducive trading conditions in India and abroad to expand the utilisation of castor oil and its derivatives (http://www.thehindubusinessline.com, 2004)

More information at the Internet site of the supplying company Fuerst Day Lawson: http://www.fdl.co.uk/main_content.asp?id_content=275&id_subitem=10&id_division=4

4. Main suppliers:

The leading producers of castor oil are India, China and Brazil.

India's two main competitors are today lagging far behind in castor seed production, on account of adverse weather and a discernible shift in cultivation to other cash crops like soya beans and coffee.

5. How to improve the quality:
Harvesting of castor seeds occurs during a long period. The harvest is often not stored and lies uncontrolled in the sun, negatively impacting the quality of the raw material. Quick pre-processing is necessary. Castor oil should be stored and transported under cool, dry and dark conditions.

11 INTERNAL ANALYSIS: COMPANY AUDIT

The internal analysis or company audit is a review of the company's strength and weaknesses in terms of all company resources such as export marketing capabilities, finance, personnel, internal organisation, management, infrastructure, etc. Because of this internal analysis, you will be able to assess to which extent your company is able to take advantage of the opportunities identified in the former chapter. Furthermore, with a thorough understanding of your company's unique capabilities, you are able to invest in opportunities that exploit your strengths.

11.1 Product range

A product range can consist of several product groups (range width), each with several different products (range depth). Again, one product can consist of several varieties (see example).

A supplier can only select a suitable business partner when armed with correct information about the range that he or she is able to offer. A precise review of the product range, therefore, aims at matching products on offer with market opportunities. Keep in mind that varieties are sometimes known under different trade names overseas.

Example of a company's product range		
Product range (range width)	**Products (range depth)**	**Variety**
Vegetable oils and fats	Sapotaceae	shea butter (*Butryospermum parkii)*
Etc.		

The next step is to review product characteristics of the products and varieties on offer.

Example of product characteristics			
Product	**Main uses**	**Supply period**	**Packaging**
Shea butter	The high allantoic content in the butter also makes it a useful base for local pharmaceutical preparations. The butter is also used to make soap and, in the construction industry, it is used on the walls of houses to prevent them from being washed away during the rainy season.	between April and November	Packaging of shea butter takes place in drums or in cardboard boxes. The covers of the drums should be wide. Drums with narrow covers are not appropriate for fats. Packaging size is 25-50 kg.
etc.			

Questions an exporter needs to answer:

- Which products are you currently producing? How comprehensive is your product range?
- Which products do you consider to be the main products you are specialised in?
- What new products would you be able to cultivate / produce?

11.2 Product standards, quality, USPs and production capacity

In understanding your own company, it could be very helpful to develop a *Unique Selling Proposition*, or USP. Your USP is what differentiates your product or service from your competitors. Your chances in the market greatly increase when you have a USP!

There are two major benefits in developing the USP. First, it clearly differentiates your business in the eyes of your current and potential customers or clients. Second, it focuses your staff on delivering the promise of the USP, thus helping to improve your internal performance.

What a USP could look like:
- One sentence.
- Clearly written, so that anyone can understand it.
- It should be believable.
- Composed of one benefit that is unique solely to your company or product.

How to develop your USP? Sit down with a notebook and:
- ☐ Brainstorm.
- ☐ List all the benefits your company or product can offer.
- ☐ Prioritise those benefits in order of what is the strongest, and most unique to your business.
- ☐ Write one sentence that conveys the first benefit on the list.

☞ Thinking about what happens with your export product, after the importer has received it, can help you bring to new ideas.

Quality

Quality is probably the main competitive factor in every business. It is an absolute requirement for European importers to receive natural ingredients for cosmetics that comply totally with EU regulations. It is therefore obvious that it is also the key issue when looking for suppliers in developing countries.

☞ Products originating in developing countries should be produced hygienically and with care. Microbiological load should be minimised and the negative effect on ingredients in the course of cultivation, processing and storage should be limited.

Also mentioned in Section 10.1, quality refers not only to product quality, because management quality is just as important. Documentation according to GMP and ISO 9000.2000 is necessary, because importers of natural ingredients will have to channel the ingredients into their GMP systems. Notably, documentation reflects costs and addition of value.

Check your current quality standards with the voluntary and compulsory standards described in Section 9.1. Also, refer to Chapters 9 and 10 for information on the importance of the various quality standards for your product-market combinations.

Questions an exporter needs to answer:
- What quality standards does your product and production process comply with?
- What is the general level of your product quality compared to other products in the identified market?
- In case environmental labelling could significantly improve the competitiveness of your export product, which one is the most interesting for your situation?

Production capacity

The foreign buyer is seldom looking for a 'spot' purchase. Instead, he is looking for a quality product at a fair price with continued availability. If you are merely seeking to market your sporadic surplus capacity, then the entry into the foreign trade market will probably be a disappointment. On the other hand, if the company is willing to devote even 10 percent of its production capacity to foreign markets and the servicing of these accounts, it can reasonably expect to build substantial and permanent trade in those markets suited to its products.

☞ However, keep in mind that often, the volume of the product marketed is not as important as a consistent and reliable supply of the actual product.

Questions that need to be answered:

- How efficiently is the present capacity being used?
- Will new export activity hurt domestic sales?
- Is it possible to expand your production capacity if necessary?
- What will be the cost of setting up additional production capacity?
- Is it possible to produce more efficiently and have less spoilage of raw material?
- Is it possible to keep out of seasonally of your natural ingredients?
- What cycles of production apply to your products and how does this match up to the demand in the target market?

11.3 Logistics

It is a good idea to use a freight forwarder to arrange transportation services on your behalf. They can simplify the shipping process because they are familiar with import and export regulations. It is important to use a forwarder who is experienced in handling natural ingredients, as well as one that is experienced in the destination country.

Freight forwarders are cost effective to use, because they can negotiate the best rates with airlines. They usually operate on a fee basis paid by the exporter, and these are part of the cost price.

Questions that need to be answered:

- How often are you able to deliver?
- What lot sizes do you generally produce or are you able to produce?
- Are there cold-room facilities at your production base?
- Are you able to maintain a cold chain during the transportation of the products? (air-conditioned domestic transport, cold-room facilities at the airport)
- What are the typical costs of logistics? (Check with freight forwarders)

11.4 Marketing and sales

How do you sell to current export markets? What works in one European market is likely to work in another, subject to refinement based on market intelligence and knowledge about specific trade channel requirements.

What existing contacts does the company have in the target markets - relatives, friends, suppliers, etc? It is an advantage to have some local presence in the target market that can gather information, monitor progress and follow up leads.

A serious export marketing campaign requires substantial management time to execute it properly. Therefore, the company needs to be realistic as to how much time can be devoted to export marketing.

More information on how to make use of your marketing tools to foster your export activities will be described in Chapter 13.

Questions that need to be answered:

- Does your company have people specifically assigned to marketing and sales activities?
- Which persons do you know in the target markets?
- What sales support material is available?

11.5 Financing

Export marketing is expensive. If financial resources are limited, then marketing plans will have to be modest. It is not sound to develop five new markets if the company only has the money to develop one.

Financing is often necessary for product and process adaptation to EU standards. Often domestic products cannot be exported unchanged. The extent to which the exporter will modify products sold in export markets is a key policy issue to be addressed by

management. If the exporter produces more than one product he should choose one that is nearest to the target market requirements and progress from there.

Local banking systems in developing countries are sometimes insufficient to handle exporting. It is therefore recommended to use an international bank, which is also located in the importing country. Moreover, this will also simplify the payments between you and your business partner. Each country has a list of their local banks with their corresponding banks in other countries or special relationships with financial institutes outside their country. Choosing the right bank can facilitate and speed up money transfers considerably.

For methods and terms of payments, please refer to paragraph 13.4 *Handling the contract*.

Questions that need to be answered:
- What amount of money can be allocated to setting up new export activities?
- What level of export operating costs can be supported?
- How are the initial expenses of export effort to be allocated?
- What other new development plans are in the works that may compete with export plans?
- Is outside capital necessary to support efforts?

☞ A proper marketing strategy for natural ingredients takes into account current issues in the trade such as Good Agricultural Practices or Good Manufacturing Practices (providing guidelines for cultivation, harvest, processing, packaging and storage) and CITES regulations on certain protected species.

☞ Although it helps to look at the European market, developing country exporters should draw up a marketing strategy aiming at markets at national, regional, and international level. While adopting this approach, developing country exporters will not be solely dependent on one market sector. In this way, fluctuations in the international market can be buffered by demand in the national and regional market.

11.6 Capabilities

Commitment to export

It is important to consider whether the company has staff that is able to sell and develop an international business. The company should be able to generate the physical and administrative infrastructure to deal with increased activities related to exporting - not only in dealing with orders but also with processing Customs and shipping documentation. If this type of infrastructure is limited, then it is a weakness in developing sustained export activities.

Questions that should be answered are:
- What kind of commitment is the top-level management willing to make to an export effort? How much senior management time should be allocated? How much could be allocated?
- What organisational structure is required to ensure that export sales are adequately serviced? Who will be responsible for the export activities (export department's organisation and staff)?
- What are the management's expectations of the effort?

Export experiences

It is important to learn from past experience. If the company has tried and failed to penetrate an export market previously, this can be analysed to determine where things went wrong.

Questions that should be answered are:
- In which countries has business already been conducted?

- From which countries have inquiries already been received?
- What general and specific lessons have been learned from past export experience?

Language skills

When dealing with European trade partners in the natural ingredients for cosmetics business, English is the most used language. Although most European trade partners will not be native speakers themselves, the vast majority speaks English fluently. In almost all cases, foreign language skills, particularly English, are essential when entering the European market. When dealing with France, knowledge of the French language is a distinct advantage. If you can communicate in Spanish, you have a competitive advantage if you address the Spanish market.

On the few occasions when correspondence and documents in English will not suffice, exporters can usually find sources of translation capabilities for the more popular European languages. Language capability can be advantageous since it facilitates cultural and social relationships.

Questions that should be answered are:

- Which language skills are necessary when dealing with your selected markets?
- Which language capabilities are available within the export company?

12 DECISION MAKING

Answers to the questions mentioned in Chapters 10 and 11 can help an exporter not only to decide whether or not to export but also determine what methods of exporting should be initially used.
A SWOT analysis can be used as a tool to analyse the identified opportunities and threats and the company's identified relative strengths and weaknesses. Carrying out an analysis using the SWOT framework helps an exporter to focus his activities into areas where he is strong and where the greatest opportunities lie. It should be noted that the matrix included in Section 12.1 should be treated as an example and that it should be adapted to the exporter's own situation.

Questions that should be answered:

Strengths:
- What are your advantages?
- What do you do well?
- What relevant resources do you have?
- What do other people see as your strengths?

☞ Consider this from your own point of view and from the point of view of the people you deal with. Do not be modest, but be realistic. If you are having any difficulty with this, try writing down a list of your characteristics. Some of these will hopefully be strengths.

☞ In looking at your strengths, think about them in relation to your competitors. For example, if all your competitors provide high quality products, then a high quality production process is not a strength in the market, it is a necessity.

Weaknesses:
- What could you improve?
- What do you do badly?
- What should you avoid?

☞ Again, consider this from an internal and external basis: Do other people seem to perceive weaknesses that you do not see? Are your competitors doing any better than you are? It is best to be realistic now, and face any unpleasant truths as soon as possible.

Opportunities:
- Where are the good opportunities awaiting you?
- What are the interesting trends you are aware of?
- Useful opportunities can come from such things as: changes in technology and markets on both a broad and narrow scale, changes in government policy related to your field, changes in social patterns, population profiles, lifestyle changes, etc.

☞ A useful approach to looking at opportunities is to look at your strengths and ask yourself whether these open up any opportunities. Alternatively, look at your weaknesses and ask yourself whether you could open up opportunities by eliminating the weaknesses.

Threats:
- What obstacles do you face?
- What is your competition doing?
- Are the required specifications for your job, products or services changing?
- Is changing technology threatening your position?
- Do you have bad debt or cash-flow problems?

- Could any of your weaknesses seriously threaten your business?

☞ Carrying out this analysis will often be illuminating - both in terms of pointing out what needs to be done, and in putting problems into perspective.

☞ You can also apply SWOT analysis to your competitors. This may produce some interesting insights.

☞ **Simple rules for successful SWOT analysis**

- Be realistic about the strengths and weaknesses of your organisation.
- Analysis should distinguish between where your organisation is today, and where it could be in the futures.
- Be specific. Avoid grey areas.
- Always analyse in context to your competition i.e. better then or worse than your competition.
- Keep your SWOT short and simple.

12.1 SWOT and situation analysis

A SWOT analysis is a framework for analysing strengths and weaknesses, the opportunities and threats an exporter is facing. This will help an exporter to focus on his strengths, minimise weaknesses, and take the greatest possible advantage of opportunities available. A SWOT analysis is just one of many good techniques that can help an exporter to build a strong competitive position for his organisation. An example of a SWOT analysis for an exporter of natural ingredients for cosmetics in developing country is given in table 12.1.

Within the SWOT figure, a distinction can be made in the SWOT figure between internal factors (strengths and weaknesses) and external factors (opportunities and threats). Nevertheless, factors of sectoral and of company level are both found under the internal factors in this figure. For example, “lack of marketing knowledge” and “low level of organisation of the industry” are both internal factors, although the first is at company level and the latter at sectoral level.

Such an analysis should be adapted to your personal circumstances since the factors differ for each exporter in the world. While for one exporter of natural ingredients for cosmetics “negotiation skills” is a weakness, for another exporter this problem does not exist.

Please note that also within a company a threat or weakness can change into an opportunity or strength. A good example concerning this matter is “technical trade barriers and new regulations imposed by the EU”. The regulations can be a threshold for exporting to the EU. However, when an exporter has adapted the export product to EU standards, he will have access to the EU market. In this way, the factor of technical trade barriers can be seen as an opportunity instead of a threat.

Table 12.1 Example of a SWOT analysis for exporters of natural ingredients for cosmetics in developing countries

INTERNAL FACTORS	
Strengths	***Weaknesses***
• *Access to natural resources* • *Low raw material prices* • *Low labour costs* • *Low or zero import duty* • *Long tradition in using ingredients* • *Sustainable supply chain management* • *Human resources* • *Active Business Support Organisations* • *Established legal framework for GMP* • *Important contribution to the supply of national and regional consumer products* • *Value addition at the origin*	• *Entrepreneurial capacity* • *Negotiation skills* • *Language and communication* • *Certification* • *Lack of marketing knowledge* • *Quality* • *Limited knowledge of properties of medicinal plants beyond traditional knowledge and belief* • *Limited knowledge of intellectual property rights* • *Lack of information on regulations, prices etc* • *Low level of organisation in the industry* • *Access to finance / banking systems*
EXTERNAL FACTORS	
Opportunities	***Threats***
• *Shortage supply and high demand in Europe* • *Enlargement of EU* • *Markets open to limited natural resources* • *Rural income generation through sustainable sourcing including wild collection, cultivation and forest management* • *UN guidelines for cosmetics and pharmaceuticals are implemented through national and regional laws* • *The same global rules for production and processing on the basis of WHO guidelines*	• *Entrance of East European countries to the EU* • *Tariff barriers* • *Technical trade barriers* • *High investments needed* • *Over-collection* • *Sustainable use of the raw materials (biodiversity)* • *Globally applied guidelines are promoting strong competitive development of national and regional markets regarding export to Europe.*

Be aware that success in export is by no means guaranteed by taking into account all the factors mentioned so far. Your environment consists of other critical conditions and success factors, that are often more difficult to influence as an individual company, than changing for example internal factors. Some of the critical conditions such as low level of organisation in the industry and financing have already been included in the figure above. However, other factors (sector-specific) should also be included in the SWOT analysis are:

- sector policies;
- availability of sector/branch organisations;
- clustering/co-operation within the sector, organisation of supply and production, value chain management (please also refer to Section 10.5);
- know-how and technical assistance;
- foreign trade assistance;
- financing.

☞ Inquiring of local business support organisations or colleague exporters can be a good starting point in being aware of other critical conditions for successful exporting.

12.2 Strategic options and objectives

Through of conducting the external analysis (market audit) and internal analysis (company audit) (Chapters 10 and 11), you will be able to come to a decision whether or not to export.

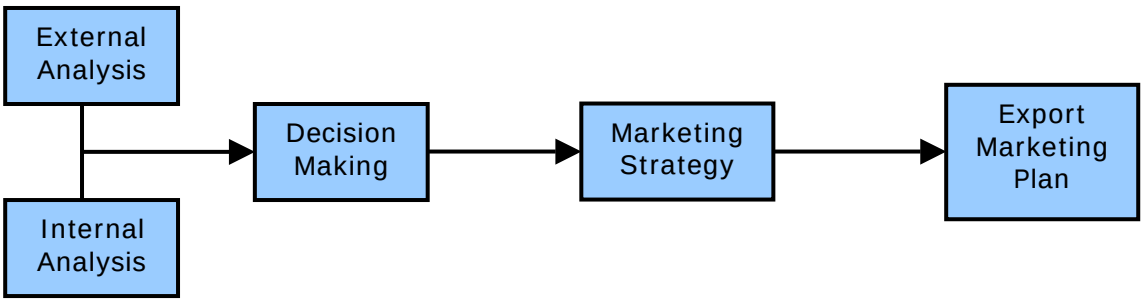
- ☑ You have identified products suitable for export development. In addition, you know what modifications, if any, must be made to adapt them to overseas markets.
- ☑ You know what countries and market segments you are going to target for sales development and/or co-operation agreements.
- ☑ You have identified the best sales channel (direct exporting or co-operation agreements).
- ☑ You know what special challenges pertain to the selected markets (competition, import controls etc.) and what strategies you will use to address them.

Once a company has determined that it has exportable products, it must still consider whether the development of an export business adheres to the company objectives. In order to arrive at this conclusion the management should ask itself the following questions:

- What does the company want to gain from exporting?
- Is the goal of exporting consistent with other company goals?
- Are the benefits worth the costs or would company resources be better spent developing new domestic business?

☞ ***Advantages and disadvantages of exporting:***	
Advantages:	**Disadvantages**
• enhance domestic competitiveness • increase sales and profits • gain global market share • reduce dependence on existing markets • exploit corporate technology and know-how • extend the sales potential of existing products • stabilise seasonal market fluctuations • enhance potential for corporate expansion • sell excess production capacity • gain information on foreign competition	• develop new promotional material • subordinate short-term profits to long-term gains • incur added administrative costs • allocate personnel for travel • wait longer for payments • modify your product or packaging • apply for additional financing • obtain special export licenses

Companies can waste a lot of time and money attempting to enter markets which do not have potential or for which their product is not suitable. To be successful in export marketing, exporters need to focus on specific products and markets and be prepared to deal with all foreseeable situations. Therefore, several possible strategies have to be considered.



The above figure could be summarised in the following strategic steps:

- External analysis (market audit, Chapter 10) and internal analysis (company audit, Chapter 11)
- SWOT (Chapter 12)
- Decision making & formulation objectives (Chapter 12)
- Elements that can be used as inputs for the Market Entry Strategy and Export Marketing Plan (Chapter 13).

If you have come to the decision to export, the next phase of the export marketing process is to draw up an Export Marketing Plan (EMP), which defines a marketing strategy stating how the company is going to penetrate the identified market. The marketing strategy is designed around the information collected in the internal and external analysis and the marketing tools will be described in the following chapter.

☞ **An international business plan should define your company's:**

- readiness to export
- export pricing strategy
- reason for exporting
- potential export markets and customers
- methods of foreign market entry
- exporting costs and projected revenues
- export financing alternatives
- legal requirements
- transportation method
- overseas partnership and foreign investment capabilities
- corporate commitment to the exporting process

Formulating an export marketing strategy based upon sound information and its proper assessment increases the chances that the best options will be selected, resources will be utilised effectively, and efforts will consequently be carried through to completion.

Together with the tools provided in Chapter 13, the exporter should now be able to draw up the Market Entry Strategy (MES) and Export Marketing Plan (EMP). For general export marketing information, please refer to CBI's "*Export Planner*" and the interactive tool "*Export Marketing Plan*" on www.cbi.nl. For general information on conducting market research, please refer to CBI's "*Your Guide to Market Research*".

13 EXPORT MARKETING

Which marketing tools are available to you to help build up your export business? This Chapter will provide you with insights and give tips on how to make use of your marketing tools to promote the sales of your products and to build a favourable trade relationship.

13.1 Matching products and the product range

In the company audit (see Section 11.1), the exporter reviewed the company's product range and product characteristics. The aim of this review was to enable the exporter to match market opportunities with the company's products on offer. This review can also be used as a starting point for considering opportunities for improving the exporter's product range.

In most cases, exporters will find out that the current product range does not match the demand of the identified market segments and sales channels. The cause of this mismatch can, for example, lie in the fact that currently produced varieties are outdated.

In the case of exporters who are looking for varieties to improve their product range, a couple of possible sources exist:
- ⓘ **Trade magazines**
- ⓘ Visiting **trade fairs** is also a good way of becoming informed about potentially interesting varieties.
- ⓘ From more **detailed trade statistics** (for instance auction sales), you can often determine which varieties are most popular in the target markets.

☞ Note that one of the most important issues in selecting new varieties is the question whether or not the variety can be successfully produced under your production circumstances.

13.2 Building up a relationship with a suitable trade partner

One of the most ominous obstacles for exporters can be the search to contact, attract and secure a good importer or trade partner. Many avenues are available for locating trade partners. You should employ any and all, which seem appropriate for your product-market combination.

How to find a potential trade partner
The main ways European importers use to look for new suppliers from developing countries are the following:
- Visiting the country in which one intends to set up/expand production capacity;
- Recommendation by someone he knows; and
- International trade fairs.

The best ways for exporters in developing countries to approach potential European customers are:
- Direct mail: You can write a letter (post, fax or e-mail) directly to a European company. Most companies will respond that they are not interested or that they already carry a competitive line. However, only a few positive replies are needed to continue your search and evaluation of prospective distributors.
- Personal visits: Once you have received a number of interested replies, plan a trip to that market. Additionally while travelling, stop in other potential markets to assess the situation as well as attempt to make contacts. Many times a personal visit will pay for itself in terms of the benefits gained.
- Invite EU importers or potential business partners to visit your company;
- Build a network in order to extend your contacts;
- Visit international trade fairs.

Also, refer to the recently published CBI manual "*Your Image Builder*".

In the case of natural ingredients for cosmetics, a number of European importers mentioned that a good way to approach the market is by establishing direct contact with them.

For European manufacturers, however, importing via large importers may be the most effective way to meet suppliers of natural ingredients cosmetics. Large importers know the language of the region, they know all about logistics and transport tariffs (by sea and air) and they are familiar with the payment methods. Furthermore, they are constantly in contact with the producers in developing countries and they generally have their own personnel overseas or regular travel to suppliers, in order to guarantee constant quality and to coach local staff wherever necessary.

How to identify the most suitable trade partner?
Evaluate the potential trade partners on which you have obtained information, using the following criteria:

- Is the information complete? (full address, telephone / fax number, e-mail address, contact person)
- Is the importer active in the country you selected?
- What kind of trade relation is the potential trade partner interested in (arm's-length, co-operative agreement, joint-venture)? Does this correspond with your preferred type of relations?
- What is the position of the potential trade partner in the market?
- What is the financial status and credibility of the company?

Using these criteria, draw up a priority list of the contacts you have received.

Going by the priority list, you must identify the trade partners best matching your own company profile, product range and export strategy. Particularly in the case of future long-term close co-operation, it is important to gain a clear picture of the company you are dealing with and understand their business activities.

Cultural differences
The single most common reason for export failure is inattention to cultural factors, a maxim frequently repeated in international business literature. People choose service providers and strategic business partners with whom they feel at ease, and this comfort level is dictated initially by cultural factors. National cultures are numerous, and subcultures are even more so. Increased travel has resulted in a large group of people socialised in more than one culture, and widespread television access gives exposure to different cultural values.

The factors that can affect cross-cultural business include:

- *who speaks first*
- *attitude to God and nature*
- *decision-making time*
- *thought patterns*
- *personal space*
- *social behaviour*
- *material possessions*
- *family relationships*
- *risk avoidance*
- *competitiveness*
- *short- and long-term planning*

For example in Germany, first names are reserved for family members and close friends. Moreover, in German business culture, it's not uncommon for colleagues who have worked together for years not to know of each other's first names.

☞ *It is important to be aware of and deepen yourself in cultural differences between your country of origin and European countries. By the way, even great varieties in cultural behaviour exist between the EU countries themselves!*

13.3 Drawing up an offer

There are two different kinds of offers:
1. general offer or company introduction; and
2. specific offers.

(a) Drawing a general offer

- The purpose of a general offer is to make the first contact with potential trading partners who the supplier does not yet know personally.
- A general offer consists of sending a short profile of your own company and a summary of your product range.
- In a personal letter, briefly introduce your company and what you have to offer.

(b) Drawing up a specific offer

A specific offer is legally binding for a certain period of time. You must therefore be capable of fulfilling the terms of your offer. You should make up a specific offer only when you know the business partner personally or after you have made the initial contact.

When sending a specific offer, it should include:

- Name of the person responsible in your company;
- Exact description of the products offered;
- Price of the products offered in accordance with the Incoterms 2000 (if applicable, split up by delivery quantities or quality); and
- Possible delivery date.

In case a sample of the product is required:

- Product samples must correspond to the goods available for delivery (if they do not, this can have a lasting negative effect on business relations).

Other tips:

- It is important to ask (by telephone or e-mail) whether the offer (and the samples, if applicable) has arrived in good shape.
- It is a good idea to invite your customer to visit your company.
- Possibly, propose a visit to the country of destination.
- In that case:
  - If necessary, hire an interpreter.
  - Ask your own consulate, trade promotion organisation, or other intermediary for assistance.
- First time exporters should start with small samples, rather than large high-value commercial shipments. An exporter should be testing whether his products meet the legislative requirements of the destination country, transportation routing, airline handling and packing methods.

Price setting

Pricing and dealing with competition is often a bottleneck for exporters from developing countries. To establish an overseas price natural ingredients for cosmetics, you need to consider many of the same factors involved in pricing for the domestic market. These factors include competition; costs such as production, packaging, transportation and handling, promotion and selling expenses; the demand for your product or service and the maximum price, which the market is willing to pay.

In most cases, an exporter will have to follow market prices. However, in case of some products, like novelty products, you will be able to set your own export price. There are two common methods of calculating your price for exports:

- Domestic Pricing is a common but not necessarily accurate method of calculating prices for exports. This type of pricing uses the domestic price of the product as a base and adds export costs, including packaging, shipping and insurance. Because the

domestic price already includes an allocation of domestic marketing costs, prices determined using this method might be too high to be competitive.

- Incremental Cost Pricing determines a basic unit cost that takes into account the costs of producing and selling products for export, and then add a mark-up to arrive at the desired profit margin. To determine a price using this method, first, establish the "export base cost" by stripping profit mark-up and the cost of domestic selling. In addition to the base cost, include genuine export expenses (export overheads, special packing, shipping, port charges, insurance, overseas commissions, and allowance for sales promotion and advertising) and the unit price necessary to yield the desired profit margin.

How you price your product is worth a good deal of thought and effort since it directly affects your ability to make a profit. Take some time to research the following management questions:

Questions to ask when setting your price

How much does it cost to grow your product?

→ Production costs not only include costs for cultivating/collection, but also for packaging, distribution and promoting your products.
→ The costs of unsold products also should be included.

What are your profit goals?

→ A profit goal states how much a business should earn.
→ You can set the profit goal as a percentage (margin) above the product costs or set the total profit figure for the entire business.
→ A profit goal can guide decisions on the amount of produce you will grow and the price you will charge.

How will you market your product?

→ Are you producing natural ingredients for cosmetics on a contract basis for a European manufacturer?
→ Do you sell your products on an arms-length basis to customers in Europe?

What price do competitors charge?

→ Try to gain an industry focus on your pricing by researching your competitor's price levels.
→ By walking through the steps indicated in Section 10.2, you will know the prices competitors charge and why they charge what they do. Use the competitive analysis to develop the upper limit of your price range. Be sure you compare your products to competitors.
→ If competition is intense, you should price at the lower end of the price range unless you can distinguish your product through quality or a unique selling feature.

What is the customer demand for my product?

→ How unique is your product?
→ To price according to demand you have to know more about the size and nature of your customer base and their feelings about pricing.
→ You will need to keep an eye on general market trends, particularly if your product range has many substitutions. See also Chapter 3.

☞ Understanding how to price your product is an essential step in developing your business. You must continually monitor your price including your costs of production, your competition and your customers and be prepared to make adjustments.

Below you find an overview of the way you can calculate the price of your export product.

Export price calculation
Total costs per unit
+ Profit
+ Commissions
+ Domestic banking fees
+ Palletisation / export packing
+ Freight forwarding and documentation fees
+ Other direct expenses related to special shipping requirements such as temperature recorder charges
= EXW price (Ex Works)
+ Inland transportation
= FAS price (Free Alongside Ship)
+ Terminal handling charges
= FOB price (Free On Board)
+ Ocean freight charges
+ Ancillary charges
= CFR price (Cost & Freight)
+ Insurance
= CIF price (Cost, Insurance, Freight)

13.4 Handling a contract

When handling the contract, you should consider the terms and the fulfilment:

Contract terms

Terms of payment

There are various methods of receiving payment for your exports. The most commonly used terms in the natural ingredients for cosmetics are documents against payments (D/P) and payments in advance.

- *Documents against payments*
  Also known as cash against documents (CAD). The buyer takes possession of the goods only after payment. Although this method is not very popular, it is very safe and the costs amount to one pro mille. One can also make use of a 'documents against acceptance of a bill of exchange'. However, the bill of exchange is not commonly used in the European Union and it does not guarantee that the bill will be paid; it is less secure than the D/P.

- *Payment in advance*
  This method is the most desirable from the seller's standpoint, because all risk is eliminated. While cash in advance may seem most advantageous to you, insisting on these terms may cost you sales. Just like domestic buyers, foreign buyers prefer greater security and better cash utilisation. Some buyers may also find this requirement insulting, especially if they are considered credit worthy in the eyes of the rest of the world. Advance (partial) payments and progressive payments may be more acceptable to a buyer, but even these terms can result in a loss of sales in a highly competitive market.

Most export shipments are partly pre-paid before the ingredients are shipped. Because collections from customers are more difficult overseas, it is recommended to get a minimum of 50 percent in advance. Once on-going business and trust is established, exporters should grant their foreign customers standard payment terms. Because of the possible complications and costs, letters of credit are often avoided in the plant trade.

In the case of co-operation agreements with overseas companies, payment terms could also include periodical payments.

Terms of sale

Export terms of sale determine what costs are covered in the price of the cargo. They also indicate at what point ownership transfers to the buyer and at what point responsibility for the cargo is transferred. International commercial terms (Incoterms) provide "the international rules for the interpretation of trade terms." For more information on Incoterm, please refer to www.iccwbo.org/incoterms/preambles.asp.

The most commonly used trade term is:

FOB (Free on Board)

Under this term, the seller quotes a price for goods that includes the cost of loading at the port of departure. The buyer arranges for transportation and insurance.

Other trade terms less frequently encountered are:

- CFR (Cost and Freight)
  For shipments to designated overseas port of import, the seller quotes a price for the goods that includes the cost of transportation to the named point of debarkation. The buyer is responsible for the cost of insurance. This is referred to as C&F in the old Incoterms. The seller pays for the cost of unloading cargo at the port of destination, to the extent that they are included in the freight charges. If the charges are separate, they fall to the account of the buyer.
- CIF (Cost, Insurance, Freight)
  Under this term, for shipments to designated overseas port of import, the seller quotes a price for the goods, including insurance costs and all transportation and miscellaneous charges, to the point of debarkation from the vessel or aircraft. The seller pays for the cost of unloading cargo at the port of destination, to the extent that they are included in the freight charges. If the charges are separate, they fall to the account of the buyer.

Contract fulfilment

It is important that an exporter discusses the 'what ifs' with his trade partner: what if there is a problem with inspection, what if a claim is necessary because the airline mishandles the natural ingredients, and what if your customer has a problem with product quality after arrival.

Important issues are:

- ❑ Procure the delivery documents in good time.
- ❑ If there is a supply agreement, comply strictly with all parts. If you cannot comply with any part of the agreement (e.g. delivery delays or quality problems), inform the customer clearly and in good time.
- ❑ Co-operate on a partnership basis and seek a common solution even if conflicts arise.
- ❑ Fulfilling the contract should have a high priority, particularly when delivering for the first time.

Other more practical questions that should be asked are:

- When is the shipment needed?
- Does the customer have a preferred freight carrier?
- Which airport (or ocean port) is most convenient?
- Does he have an agent to clear the shipment through Customs?
- Does the customer want to pay the shipment to be insured?

13.5 Sales promotion

One of the major critical success factors for exporters of natural ingredients for cosmetics to the European Union is attention to customer requirements and the ability to maintain good relationships with their European business partners. Sales promotion revolves around developing, expanding these customer relations, thereby maintaining, and increasing sales volume.

Some tips for developing customer relations:

- Take good care of existing contacts. This includes for example expressions of thanks to business partners, regular information on the company developments like product range, quality improvements, etc.
- Always reply to a letter of inquiry. If you cannot supply this contact, say so, explaining that you will get in touch with him for the next campaign.

Communication

It is advisable to commence with communication measures, which only require a small amount of planning and co-ordinating, such as revising the company's standard printed matter:

- Standardise all printed paper used outside the company (letterheads, visiting cards, fax form, etc.)
- A brochure of your company (including photos of production sites and produce) can be useful for promoting new contacts and sales.

Constant, prompt and reliable communication is a vital prerequisite for maintaining a long-term business relationship with your customers. If possible, smaller firms should also try to be reachable by (mobile) phone at office hours.

Sales organisation

The term “sales organisation” refers to the organisational system that carries out the sales of the company's products. A sales organisation usually consists of back office and sales force.

As most sales are conducted by telephone, fax or e-mail, having well-functioning sales staff is an absolute precondition for successful market participation. This also applies to smaller company where one person has to take up different (sales) functions.

An essential tool used in sales is a detailed and up-to-date customer database. This database can vary from a simple collection of customer data sheets to an advanced customer relation management system. However, the customer database should at least contain the following information:

- Basic information on the customer: name, address, telephone numbers, etc.
- Changing data on the customer: data resulting from business activities with the customer, such as telephone calls, offers, sales information, etc.

The customer database should give the sales person a quick review of the most important customer information when making or answering a telephone call or planning a visit.

If possible, the database should be computerised, because this simplifies changes, updating, sorting and selection procedures, etc. If computerisation is not possible, the customer database should be on file cards (see example).

Example customer data sheet	
General information	
Company name: Postal address: Street address Country: Telephone: Fax:	Customer no.: First contact date: _ _ / _ _ / _ _ _ _ Customer class*: □ A □ B □ C □ D Customer type: *(importer, manufacturer, agent)* Other info:

E-mail: Contact name:		
Sales information		
Sales realised: Sales planned: etc..	*(last year)* *(this year)*	
Contact record		
No. 1	Contact date: Contact type: Information:	_ _ / _ _ / _ _ *(telephone, visit, fax, etc.)*
No. 2	Contact date: Contact type: Information:	_ _ / _ _ / _ _ *(telephone, visit, fax, etc.)*
No. 3	Contact date: Contact type: Information:	_ _ / _ _ / _ _ *(telephone, visit, fax, etc.)*

** Classify your customers by importance to your company (sales, quality of relation, etc.)*

Internet

As a source of information and means of communication, Internet is generally considered to have many opportunities for companies in developing countries. The main advantages of the Internet are:

- Low cost of communication;
- Fast delivery of information;
- Independence of distance and timeline;
- Multimedia possibilities.

Besides one-to-one communication by E-mail, Internet offers opportunities for presentations, (market) research, distribution, sales and logistical improvements. If your target group consists of importers/growers in overseas countries, you can advertise for (new) customers on your Internet site, showing your company, product range and indicating the production circumstances.

☞ *CBI provides the manual "Website promotion". For more information please contact CBI through e-mail: cbi@cbi.nl.*

Trade fairs

Visiting or even participating in a trade fair abroad can be an efficient tool for communicating with prospective customers. It provides more facilities for bringing across the message than any other trade promotional tool. It can also be an important source of information on market developments, production techniques and interesting varieties.

Important motives for companies visiting European trade fairs are:

- Establishing contacts with potential customers;
- Orientation on the European market;
- Gathering information on specific subjects;

Although significant costs are involved, actually participating in a trade fair could be interesting for a number of companies to meet, for example, European companies interested in setting up production facilities in tropical regions. One of the major advantages of participating yourself in a trade fair is the ability to present your company and products in a more extensive way (3-D presentation, company video, and product displays).

Trade fairs are organised in many European Union countries. The most relevant fairs for exporters of natural ingredients are listed in the box below. The contact addresses of these and other trade fairs are listed in Appendix 2.4.

Main European trade fairs 2004-2005

Trade fair	Where?	When?	What?	Internet
SANA	Bologna, Italy	September 9 - 12, 2004	Natural nutrition, health, and the environment.	www.sana.it
Health Ingredients Europe	Amsterdam, The Netherlands	November 16 - 18, 2004	Ingredients for health, functional and organic foods.	www.hi-events.com
CphI Worldwide & CSE 2004	Brussels, Belgium	December 7-9, 2004	Pharmaceutical ingredients and intermediates.	www.icsexpo.com
BioFach	Nürnberg, Germany	February 24-27, 2005	Organic Trade Show.	www.biofach.de
PCI Europe 2005	Paris, France	April 12 - 14, 2005	Personal Care Ingredients trade fair	http://www.pcie.info
In-Cosmetics 2005	Berlin, Germany	April 12 - 14, 2005	Trade fair for suppliers of raw materials/ ingredients for cosmetics, toiletries and personal care.	http://www.in-cosmetics.com/2005
Natural Products Expo Europe	Amsterdam, The Netherlands	June 15-16, 2005	Natural products, including raw materials.	http://www.expoeurope.com/
EUROLIPIDS	Frankfurt / Main, Germany	November 2 -4, 2005	International Trade Fair for Fats & Oils and related Technologies	http://www.eurofedlipid.org/eurolipids/index.htm

For additional information on trade fair participation, please refer to CBI's Handbook *"Your show master - a guide for selection, preparation and participation in trade fairs"*.

Assistance with market entry
Local business support organisations
Before approaching organisations abroad, an exporter should first check with local business support organisations (trade promotion organisations, Chambers of Commerce, etc.) and foreign representatives in his or her country.

Import Promotion Organisations

In most EU countries, there are organisations that promote imports from developing countries through specific export promotion activities:

- They supply information on: statistics and other information on national markets, regular news bulletins, importer databases, and market opportunities;
- Individual assistance is offered: management training, testing products by display and adaptation services; and
- They can establish contacts: collective trade fair participation and selling missions.

☞ CBI export development programmes (EDP)

On the basis of the results achieved in previous programmes and on the basis of expected market opportunities, CBI has initiated a new export development programme for companies that manufacture or produce natural ingredients for pharmaceuticals and/or cosmetics. Only companies in a number of selected countries in Latin America, Asia and Africa are eligible for participation.

A step-by-step approach provides intensive support for selected exporters in developing countries, so that they can secure a firm footing on the EU market. Programmes are made to measure, demand-driven and flexible, combined with fixed elements such as:

- pre-selection of candidates based on kick-off workshops;
- technical assistance during company visits and distance guidance by CBI branch experts;
- export marketing training (for instance through the EXPRO seminars);
- market entry (for instance via participation in European trade fairs);
- market consolidation by way of follow-up support, further technical assistance and/or repeat market entry activities.

To date, CBI has organised kick-off workshops in Colombia, Ecuador, Bolivia, Indonesia and Sri Lanka for representatives from companies and institutions involved in the conservation, development, certification and export promotion of natural ingredients for pharmaceuticals and/or cosmetics. April 2004, a number of EDP participants took part in the trade fair In-Cosmetics in Paris (for more information please contact pgilst@cbi.nl).

Branch organisations

As is probably the case in your own country, in most European countries, producers, wholesalers and often retailers are also organised in so-called branch organisations. These organisations can be of use to new exporters to the EU.

Information how to reach these organisations can be found in Appendix 2.3.

APPENDIX 1 DETAILED IMPORT/EXPORT STATISTICS

The source of the data presented below is Eurostat COMEXT 2002. The data must be interpreted and used with caution. For example in Table 2, The Netherlands is listed as the third leading supplier of coconut oil. There is, however, no production of coconut oil in The Netherlands. The Netherlands, is therefore, the importer of this volume of coconut oil. The coconut oil is further processed in The Netherlands and re-exported at a higher value. This situation is applicable in more cases, e.g. Netherlands and French supplies of vetiver, and Belgian supplies of peanut oil.

Table 1 EU imports of peanut oil, by supplying country, 2000-2002
€ thousand / tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total	150,675	177,443	133,635	163,827	141,760	182,138
Intra EU	36,619	35,126	34,606	34,140	33,913	34,194
Extra EU	114,056	142,317	99,029	129,687	107,847	147,944
Developing countries	112,858	141,719	96,372	126,109	105,998	146,683
Senegal	77,475	96,223	80,541	105,041	62,246	84,961
Argentina	29,331	37,859	6,900	9,414	22,746	32,707
Belgium	20,471	18,847	19,700	19,054	19,027	19,121
Gambia	0	0	1,597	2,019	10,588	14,629
France	6,674	6,711	6,770	7,124	6,379	6,913
Sudan	5,745	7,319	6,288	8,213	6,013	8,197
The Netherlands	6,077	6,801	3,013	3,275	3,672	3,998
South Africa	3	2	447	569	2,484	3,528
Germany	707	516	1,279	913	2,190	2,326

Table 2 EU imports of coconut oil, by supplying country, 2000-2002
€ thousand / tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total	771,666	1,286,588	579,751	1,427,707	686,343	1,566,123
Intra EU	120,762	174,457	94,576	173,241	125,293	233,182
Extra EU	650,903	1,112,132	485,174	1,254,466	561,051	1,332,941
Developing countries	645,354	1,104,905	479,747	1,246,223	557,245	1,326,191
Indonesia	372,633	636,879	226,211	589,491	280,665	670,007
Philippines	162,510	288,982	186,625	491,667	193,013	474,840
The Netherlands	80,929	118,955	59,163	108,607	69,778	130,413
Malaysia	53,124	83,744	41,231	97,593	53,882	113,957
Germany	15,769	21,696	14,653	26,117	34,902	66,972
Papua New Guinea	34,676	58,964	19,326	50,372	22,203	50,520
France	7,596	12,489	5,976	14,411	7,167	14,255
Denmark	4,818	5,398	2,557	2,825	3,395	5,456
Spain	1,440	1,832	2,865	5,580	3,152	5,551

Table 3 **EU imports of fixed vegetable fats and oils, by supplying country, 2000-2002**
€ thousand / tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total	532,438	601,954	476,695	589,447	456,059	556,938
Intra EU	253,641	294,091	249,769	319,086	270,095	350,689
Extra EU	278,797	307,862	226,925	270,361	185,963	206,250
Developing countries	166,767	153,514	150,625	162,554	120,098	142,538
India	122,575	120,761	108,789	129,815	84,190	115,298
Belgium	56,835	95,386	57,247	106,399	66,998	117,378
Germany	51,857	72,851	47,049	68,169	54,222	71,047
USA	92,962	140,477	57,359	97,543	45,717	53,441
The Netherlands	46,906	39,774	49,140	47,858	42,086	40,039
France	25,174	31,912	27,017	39,362	31,541	60,017
Italy	28,089	22,917	23,983	19,682	27,865	23,987
United Kingdom	15,475	11,726	16,466	13,768	18,970	16,869
Spain	12,209	9,834	8,586	10,522	11,740	13,119

Table 4 **EU imports of castor oil, by supplying country, 2000-2002**
€ thousand / tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total	152,370	148,830	134,480	159,960	103,724	137,372
Intra EU	23,097	19,357	18,731	18,739	20,416	21,248
Extra EU	129,273	129,473	115,749	141,221	83,308	116,124
Developing countries	128,919	129,222	114,952	140,748	82,917	116,010
India	120,031	119,762	103,553	127,373	80,883	113,512
The Netherlands	7,468	6,820	7,045	8,192	8,320	8,352
Germany	9,777	7,815	6,631	5,850	6,655	7,009
France	2,456	2,181	1,781	1,738	2,212	2,788
Brazil	8,652	9,269	9,038	10,668	1,905	2,339
United Kingdom	1,869	1,411	1,865	1,795	1,501	1,655
Sweden	863	727	635	681	787	805

Table 5 **EU imports of waxes, by supplying country, 2000-2002**
€ thousand / tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total	44,764	13,004	45,319	12,465	39,747	12,701
Intra EU	17,648	4,850	17,991	4,212	14,310	3,237
Extra EU	27,116	8,155	27,328	8,253	25,438	9,464
Developing countries	20,918	6,813	21,588	7,163	19,195	7,454

Brazil	10,787	3,407	10,069	3,415	9,205	3,940
China	5,022	1,895	6,679	2,374	5,635	2,292
Germany	6,122	1,530	5,350	1,579	4,938	1,088
The Netherlands	3,631	989	3,574	974	3,262	832
France	3,087	606	2,989	600	3,211	676
Japan	1,441	105	1,608	109	3,043	1,129
USA	1,863	264	1,775	193	1,979	454
Mexico	1,965	500	1,830	401	1,850	420
Belgium	1,840	1,031	978	145	996	214

Table 6 **EU imports of cocoa butter, fat and oil, by supplying country, 2000-2002**
€ thousand / tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total	729,111	280,462	719,117	299,867	909,439	317,972
Intra EU	538,010	195,736	524,006	213,136	596,721	206,113
Extra EU	191,101	84,726	195,112	86,731	312,718	111,860
Developing countries	189,750	84,210	193,283	85,489	292,722	104,801
The Netherlands	341,894	124,906	380,120	155,893	427,473	146,686
Côte d'Ivoire	65,753	29,075	82,352	35,076	122,552	41,158
France	140,914	49,576	88,943	35,288	109,188	39,264
Indonesia	26,934	12,360	19,771	9,467	42,876	15,811
Ghana	33,267	14,605	29,353	12,647	28,494	11,948
United Kingdom	7,833	2,730	14,713	5,814	25,894	7,556
Malaysia	15,405	7,025	21,136	9,505	22,659	8,114
Brazil	8,433	3,640	5,909	3,034	17,278	6,195
Nigeria	16,028	7,185	10,730	4,941	16,970	6,285
Singapore	0	0	0	0	16,436	5,649

Table 7 **EU imports of lemon oil, by supplying country, 2000-2002**
€ thousand / tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total	38,850	2,534	44,708	2,687	52,172	3,285
Intra EU	16,668	1,167	16,229	1,098	14,668	1,037
Extra EU	22,182	1,367	28,479	1,590	37,504	2,248
Developing countries	16,322	1,090	22,784	1,320	31,100	1,899
Argentina	13,477	775	19,030	1,017	27,484	1,571
Italy	9,195	632	8,834	627	7,612	594
USA	3,760	201	4,445	226	4,775	294
United Kingdom	1,886	83	2,382	121	2,090	82
Germany	1,681	196	1,433	119	1,440	95
The Netherlands	932	72	904	58	1,394	108
Brazil	1,080	171	1,494	137	1,322	123
Spain	1,624	87	1,332	74	1,314	106

Table 8 **EU imports of lime oil, by supplying country, 2000-2002**

€ thousand / tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total	13,436	729	16,981	795	16,164	911
Intra EU	3,562	165	4,897	167	4,160	203
Extra EU	9,874	564	12,084	628	12,004	709
Developing countries	7,802	506	9,624	568	8,854	595
Mexico	4,873	332	6,284	375	5,735	346
USA	2,029	55	2,419	58	3,080	112
United Kingdom	1,921	78	3,284	96	2,741	126
Peru	1,298	79	1,773	106	2,071	135
Brazil	1,144	58	1,208	64	749	53
The Netherlands	612	39	627	25	652	39
Germany	660	33	603	30	425	15

Table 9 **EU imports of essential oils of citrus fruit, by supplying country, 2000-2002**
€ thousand / tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total	22,645	1,528	21,927	1,576	21,538	1,821
Intra EU	11,651	761	11,093	680	12,802	1,032
Extra EU	10,994	767	10,833	896	8,736	789
Developing countries	3,805	377	3,977	451	3,478	458
Italy	3,840	123	3,992	111	5,056	151
USA	5,647	252	4,826	264	3,556	192
Germany	2,246	283	2,017	158	2,821	336
United Kingdom	3,198	162	2,570	121	2,164	104
The Netherlands	1,140	114	1,356	230	1,882	404
Cuba	959	148	1,005	235	1,437	306
Switzerland	182	4	551	9	706	14
Israel	1,062	116	1,125	147	610	91

Table 10 **EU imports of geranium oil, by supplying country, 2000-2002**
€ thousand / tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total	9,264	218	8,017	186	9,415	161
Intra EU	4,292	127	2,378	66	2,409	46
Extra EU	4,972	91	5,639	120	7,006	115
Developing countries	4,428	81	5,440	112	6,618	111
Egypt	2,296	45	2,402	48	3,438	63
China	1,972	33	2,856	63	3,024	45

France	2,006	47	1,536	46	1,658	34
United Kingdom	1,915	35	709	12	517	7
USA	298	6	90	3	210	4
Germany	40	25	23	0	155	4

Table 11 EU imports of jasmine oil, by supplying country, 2000-2002
€ thousand / tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total	5,962	30	6,380	31	5,727	33
Intra EU	763	22	703	16	775	25
Extra EU	5,199	8	5,677	15	4,952	8
Developing countries	5,126	7	5,596	15	4,848	7
India	2,246	3	2,446	4	2,084	4
Egypt	2,338	3	2,606	9	2,022	3
Morocco	494	1	482	1	678	0
France	456	1	351	6	397	2
Spain	0	0	0	0	169	12
United Kingdom	262	20	133	10	105	5

Table 12 EU imports of vetiver oil, by supplying country, 2000-2002
€ thousand / tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total	4,657	102	4,119	104	5,159	84
Intra EU	1,445	47	771	15	984	19
Extra EU	3,212	55	3,348	89	4,175	65
Developing countries	2,923	49	3,119	83	3,884	59
Haiti	2,186	30	2,436	34	3,318	46
France	815	11	375	8	435	6
Indonesia	511	16	338	11	427	11
The Netherlands	402	6	241	4	295	6
USA	216	3	206	5	207	3
United Kingdom	117	3	100	2	143	3
Madagascar	71	1	93	1	96	1
Germany	90	1	46	1	58	1

Table 13 EU imports of other essential oils, by supplying country, 2000-2002
€ thousand / tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total	243,068	16,795	262,937	17,244	277,288	16,897
Intra EU	78,290	4,539	82,706	4,056	87,261	4,097
Extra EU	164,778	12,255	180,231	13,189	190,027	12,801
Developing	121,794	10,012	133,910	9,858	136,301	10,577

countries						
France	32,305	1,398	32,929	1,065	37,319	1,198
China	37,569	5,942	40,277	5,815	36,232	5,843
USA	21,260	1,090	22,530	2,328	25,967	1,101
Indonesia	17,506	860	23,279	991	22,279	1,004
United Kingdom	15,983	961	16,043	747	15,180	800
India	13,412	551	13,436	522	13,966	736
Morocco	6,368	301	7,631	452	10,537	352
Spain	9,936	668	11,590	681	10,447	694
Turkey	7,412	31	9,024	34	10,217	28
Germany	6,663	491	7,187	451	9,029	696

Table 14 EU imports of medicinal & aromatic plants, by supplying country, 2000-2002
€ thousand / tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total	338,808	116,964	330,426	124,783	318,271	116,920
Intra EU	120,948	25,720	112,091	34,401	105,275	27,111
Extra EU	217,860	91,245	218,335	90,381	212,995	89,810
Developing countries	132,298	63,904	135,411	65,285	127,519	60,231
USA	32,498	4,884	32,948	4,308	32,031	5,475
Germany	36,786	8,450	32,791	16,841	31,767	9,095
France	26,779	5,343	26,380	4,850	25,452	7,461
China	24,330	6,570	21,635	6,120	20,768	6,914
India	16,212	6,962	17,272	6,493	16,201	6,796
Israel	10,625	1,414	14,484	1,826	15,602	2,042
Poland	10,718	6,657	8,567	6,158	12,917	8,744
Morocco	10,107	7,451	10,952	7,726	11,691	7,044
Belgium	13,970	1,890	11,341	1,851	11,020	1,608
Bulgaria	13,163	8,406	10,281	7,678	9,705	8,466

Table 15 EU imports of seaweed & algae, by supplying country, 2000-2002
€ thousand / tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total	71,715	61,572	67,301	59,784	64,696	57,931
Intra EU	11,051	12,890	9,523	9,710	11,597	11,350
Extra EU	60,664	48,682	57,778	50,074	53,099	46,581
Developing countries	27,923	27,667	28,016	29,113	24,794	26,603
Philippines	10,985	9,483	11,784	10,572	8,534	9,005
Chile	5,040	6,944	5,867	7,884	5,011	6,490
USA	6,095	323	4,314	184	4,842	188
France	3,616	5,863	3,140	4,106	4,312	5,144
Indonesia	5,871	6,316	3,824	4,903	4,216	5,405
Japan	5,597	240	5,124	213	3,758	169
China	1,551	197	1,890	270	2,546	316

Ireland	2,351	5,383	2,029	4,372	2,124	4,612
Iceland	1,436	1,955	1,713	3,235	1,731	2,480
Morocco	2,873	2,629	2,480	2,343	1,533	1,515

Table 16 EU imports of colouring matter of vegetable or animal origin, by supplying country, 2000-2002
€ thousand / tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Total	170,081	21,475	173,762	20,938	169,775	22,454
Intra EU	99,786	14,033	99,246	13,263	104,142	15,515
Extra EU	70,295	7,442	74,516	7,675	65,632	6,940
Developing countries	45,060	5,506	51,183	5,844	40,896	5,924
Spain	19,950	2,714	20,421	2,259	20,366	2,605
France	12,151	1,477	13,091	1,790	16,503	3,678
Netherlands	10,937	1,370	14,010	1,441	15,175	1,519
Peru	11,419	1,389	13,666	1,838	13,382	2,049
Germany	23,612	4,882	19,869	3,979	12,810	2,600
Denmark	5,655	589	9,756	1,169	12,303	1,206
Utd. Kingdom	10,098	700	9,707	550	11,606	830
USA	7,854	1,171	7,517	699	8,682	453

Table 17 EU exports of product groups falling under cosmetic ingredients, 2000-2002
€ thousand / tonnes

	2000		2001		2002	
	value	volume	value	volume	value	volume
Vegetable oils, fats & waxes	1,880,546	1,759,925	1,843,695	1,869,756	1,989,658	2,071,256
Vegetable saps & extracts	1,036,022	142,572	1,053,622	144,219	969,923	140,934
Essential oils & oleoresins	445,791	33,174	460,593	35,223	459,681	36,415
Raw plant material	221,587	51,980	218,294	51,873	214,793	54,154
Colouring matter	198,450	22,132	201,049	21,959	208,532	20,948

APPENDIX 2 USEFUL ADDRESSES

2.1 Standards organisations

INTERNATIONAL
WHO
World Health Organization
E-mail: info@who.int
Internet: http://www.who.org/

EUROPEAN UNION
EMEA
The European Medicines Agency for the Evaluation of Medicinal Products
E-mail: mail@emea.eu.int
Internet: www.emea.eu.int

CEN
European Committee of Standardization
E-mail: infodesk@cenorm.be
Internet: www.cenorm.be

FRANCE
AFNOR
French Association of Normalisation
E-mail: communication@afnor.fr
Internet: www.afnor.fr

GERMANY
DIN
German Institute for Standardisation
E-mail: zentrale@dincertco.de
Internet: www.din.de

ITALY
UNI
Italian Association of Standardisation
E-mail: uni@uni.com
Internet: www.uni.com/it

THE NETHERLANDS
NEN
Netherlands Institute of Normalisation
E-mail: info@nen.nl
Internet: www.nen.nl

SPAIN
AENOR
Spanish Association of Normalisation and Certification
E-mail: info@aenor.es
Internet: www.aenor.es

UNITED KINGDOM
BSI
British Standards Institution
E-mail: cservices@bsi-global.com
Internet: www.bsi-global.com

2.2 Sources of price information

INTERNATIONAL

FAO

Food and Agriculture Organisation (Publisher of *'Monthly Bulletin of Statistics'*, *'Commodity and Market Review'*, and *'Food Outlook')*

E-mail: FAO-HQ@fao.org
Internet: www.fao.org

ITC

International Trade Centre (Publisher of '*MNS Medicinal Plants & Extracts')*

E-mail: mns@intracen.org
Internet: www.intracen.org

GERMANY

ISTA Mielke & Co.

Publisher of '*Oil World*'

E-mail: info@oilworld.de
Internet: www.oilworld.de

COSSMA

Health and Beauty Business Media GmbH & Co KG

E-mail : juergen.volpp@health-and-beauty.com
Internet: www.cossma.com

UNITED KINGDOM

Agra Europe Ltd.

Publisher of '*The Public Ledger'*

E-mail: marketing@public-ledger.com
Internet: www.public-ledger.com

INTERNET

Herb crop shop

(At Herb Growing and Marketing Network)

www.herbworld.com/cropshop

Other sites for (retail) prices of raw materials include:

- www.albanmuller.fr
- www.alexander-essentials.com

Sites for retail prices for botanical materials include:

- www.herbmarket.com
- www.libertynatural.com

2.3 Trade associations

INTERNATIONAL

CTFA

Cosmetic, Toiletry, and Fragrance Association

Telephone: (202) 331-1770
Fax: (202) 331-1969
Internet: www.ctfa.org

FOSFA

Federation of Oils, Seeds & Fats Associations

E-mail: contact@fosfa.org
Internet: www.fosfa.org

IFEAT
International Federation of Essential Oils and Aroma Trades
E-mail: secretariat@ifeat.org
Internet: www.ifeat.org

EUROPE
Colipa
The European Cosmetic Toiletry and Perfumery Association
E-mail: colipa@colipa.be
Internet: www.colipa.com

IKW
German Cosmetic, Toiletry, Perfumery and Detergent Association
E-mail: info@ikw.org
Internet: www.ikw.org

BDIH
Bundesverband Deutscher Industrie- und Handelsunternehmen für Arzneimittel, Reformwaren und Körperpflegemittel
E-mail: bdih@ghp-ma.de
Internet: www.bdih.de

Aromatherapy Trade Council
E-mail: info@a-t-c.org.uk
Internet: www.a-t-c.org.uk

2.4 Trade fair organisers

BioFach
Certified organic products
E-mail: info@biofach.de
Internet: www.biofach.de

CphI
Pharmaceuticals
E-mail: jekelschot@cmpinformation.com
Internet: www.cphi.com

FIE
Food Ingredients
E-mail: fi@cmpinformation.com
Internet: www.fi-events.com

IN-COSMETICS
Internet: www.in-cosmetics.com

Natural Products Europe
Internet: www.expoeurope.com

SANA
Exhibition of Health Food, Health and Environment
E-mail: info@sana.it
Internet: www.sana.it

2.5 Trade press

FRANCE

Parfums Cosmétiques Actualités
Société d'expansion Technique et Economique
Telephone: +33 1 40 61 20 00
Fax: +33 1 40 61 20 01
Internet: www.parfums-cosmetiques.presse.fr

GERMANY

COSSMA
Health and Beauty Business Media GmbH & Co KG
Contents: Up-to-date editorial approach news from the areas of perfumery and cosmetics, aerosol and spray technology and marketing and marketing surveys.
Frequency: 12 times a year
Language: English and German
E-mail: dorothea.michaelis@health-and-beauty.com
Internet: www.cossma.com

EUROCOSMETICS
Contents: C&T serves research laboratories throughout the world with the latest information on cosmetic formulations, new technologies, ingredients and testing. Cosmetics & Toiletries magazine is the first-read industry magazine for everyone developing new formulations and creating product concepts.
Frequency: 12 times a year
Language: English
E-mail: info@eurocosmetics-magazine.com
Internet: www.eurocosmetics-magazine.com

GCI Global Cosmetic Industry
Contents: Sister publication of Eurocosmetics, serves the business and marketing needs of the cosmetic industry.
Frequency: 12 times a year
Language: English, but GCI Latin America published in Spanish, serves Mexico, Central America and South America.

SÖFW Journal
E-mail: simons@sofw.com
Internet: www.sofw.com

ITALY

World Directory Cosmetics Industry
E-mail: info@teknoscienze.com
Internet: www.teknoscienze.com

UNITED KINGDOM

International Journal Of Cosmetic Science
Blackwell Science Ltd
E-mail: journals.cs@blacksci.co.uk
Internet: www.blackwell-science.com

Soap, Perfumery & Cosmetics
Wilmington Publishing
E-mail: ndawes@wilmington.co.uk
Internet: www.spc-magazine.com

INTERNATIONAL

C&T - Cosmetic & Toiletries
E-mail: customerservice@allured.com
Internet: http://www.cosmeticsandtoiletries.com

Journal of Essential Oil Research
Allured Publishing Corporation
E-mail: customerservice@allured.com
Internet: www.allured.com

Happi Magazine
Rodman Publishers
Contents: Covering soaps, detergents, cosmetics & toiletries, waxes and polishes, insecticides, aerosols and related chemical specialties, HAPPI is published for people involved in the personal care, household, industrial and institutional fields.
Frequency: 12 times a year
Language: English, but on the Internet site there is a separate link to Happi Latin America (with Spanish and Portuguese publications) and Happi China.
E-mail: rodmanpub@aol.com
Internet: www.happi.com

2.6 Other useful addresses

CBI / Accesguide
CBI's database on European non-tariff trade barriers
Email: accessguide@.cbi.nl
Internet: www.cbi.nl/accessguide

GTZ
Deutsche Gesellschaft für Technische Zusammenarbeit GmbH
Telephone: +49 (0)6196 79-0
Fax: +49 (0)6196 79-1115
Internet: www.gtz.de

International Chamber of Commerce
E-mail: webmaster@iccwbo.org
Internet: www.iccwbo.org

RIVM
National Institute of Public Health and the Environment, Centre for Substances and Risk Assessment
E-mail: info@rivm.nl
Internet: www.rivm.nl

Skal
Internationally operating organisation, inspecting and certifying sustainable agricultural production methods and products
E-mail: info@skal.com
Internet: www.skal.nl

APPENDIX 3 LIST OF DEVELOPING COUNTRIES

The list of developing countries as applied in this market survey, is the OECD DAC list of countries receiving Official Development Assistance (Part I). The list used is the one as at 1/1/2004.

Afghanistan
Albania
Algeria
Angola
Anguilla
Antigua and Barbuda
Argentina
Armenia
Azerbaijan
Bahrain
Bangladesh
Barbados
Belize
Benin
Bhutan
Bolivia
Bosnia & Herzegovina
Botswana
Brazil
Burkina Faso
Burundi
Cambodia
Cameroon
Cape Verde
Central African rep.
Chad
Chile
China
Colombia
Comoros
Congo Dem. Rep.
Congo Rep.
Cook Islands
Costa Rica
Côte d'Ivoire
Croatia
Cuba
Djibouti
Dominica
Dominican republic
Ecuador
East Timor
Egypt
El Salvador
Equatorial Guinea
Eritrea
Ethiopia
Fiji
Gabon
Gambia
Georgia
Ghana
Grenada
Guatemala
Guinea
Guinea-Bissau
Guyana
Haiti
Honduras
India
Indonesia
Iran
Iraq
Jamaica
Jordan
Kazakhstan
Kenya
Kiribati
Korea, rep of
Kyrghyz Rep.
Laos
Lebanon
Lesotho
Liberia
Macedonia
Madagascar
Malawi
Malaysia
Maldives
Mali
Marshall Islands
Mauritania
Mauritius
Mayotte
Mexico
Micronesia, Fed. States
Moldova
Mongolia
Montserrat
Morocco
Mozambique
Myanmar
Namibia
Nauru
Nepal
Nicaragua
Niger
Nigeria
Niue
Oman
Pakistan
Palau Islands
Palestinian Admin. Areas
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Rwanda
Samoa
São Tomé & Principe
Saudi Arabia
Senegal
Serbia and Montenegro
Seychelles
Sierra Leone
Solomon Islands
Somalia
South Africa
Sri Lanka
St. Helena
St. Kitts-Nevis
St. Lucia
St. Vincent and Grenadines
Sudan
Surinam
Swaziland
Syria
Tajikistan
Tanzania
Thailand
Togo
Tokelau
Tonga
Trinidad & Tobago
Tunisia
Turkey
Turkmenistan
Turks & Caicos Islands
Tuvalu
Uganda
Uruguay
Uzbekistan
Vanuatu
Venezuela
Vietnam
Wallis & Futuna
Yemen
Zambia
Zimbabwe

APPENDIX 4 USEFUL INTERNET SITES

www.cites.org
CITES has a membership of 166 countries. These countries act by banning commercial international trade in an agreed list (Appendix I of the Convention) of endangered species (including plants) and by regulating and monitoring trade in others (Appendix II of the Convention) that might become endangered. Around 200 medicinal plants species have been added to CITES appendices. This site gives an up-to-date overview of the Appendices I and II.

www.cosmeticsbusiness.com
This site provides cosmetic suppliers' guides (incl. raw materials and packaging materials), news, market research and an event guide.

http://dg3.eudra.org
This site is operated by the European Commission -DG III-E-3 on Pharmaceuticals and Cosmetics. The site includes information on the rules governing cosmetics in the European Union, the international nomenclature of cosmetic ingredients, addresses of those involved in the EU cosmetics sectors and documents released for consultation or for information.

www.europages.com
This site includes contact details of companies in the sector Chemicals and Pharmaceuticals. Interesting subcategories include: Essences and fragrances non-food, Herbs for medicines and cosmetics, Oils and fats non-food, Import-export - chemicals and pharmaceuticals.

www.fao.org/forestry/FOP/FOPW/NWFP/new/nwfp.htm
This site is operated by FAO's Forest Products Division and includes information about Non-wood Forest Products (NWFP), a database with organisations active in the field of NWFPs, information about relevant publications and projects. The site presents the annual newsletter Non-wood News.
Moreover, at www.fao.org, the following publication can be downloaded: "Minor oil crops" by B.L. Axtell (1992), in which the distillation of (essential) oils is described.

www.ki-online.de
This site, in German, provides information on the cosmetics industry in Germany.

www.thecosmeticsite.com
This online source for the cosmetic industry provides news, articles, publications, information on packaging and regulations etc.

APPENDIX 5 REFERENCES

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- Ten Kate & Laird, 1999, The commercial use of biodiversity.
- IMS Health, 1998, European pharmaceutical distribution data 1997.
- Colipa, 2004, The European Cosmetic & Toiletry market 2003.
- Sarah A. Laird and Alan R. Pierce (2002), Promoting Sustainable and Ethical Botanicals: Strategies to Improve Commercial Raw Material Sourcing.