

Market Brief for Sacha Inchi.

An introduction to the European market for Peruvian exporters.
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Title	Market Brief for Sacha Inchi – An introduction to the European market for Peruvian exporters.
Language	English
Report Content	<p>Within the scope of the project Perubiodiverso, an initiative supported by the State Secretariat for Economic Affairs (SECO) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (german cooperation), in convention with the Ministry of Foreign Trade and Tourism (MINCETUR), the Peru Export and Tourism Promotion Board (Promperu) and the Ministry of the Environment (MINAM), SIPPO is mandated to support Peruvian companies in accessing the European market.</p> <p>In this context, for the following three products Market Briefs were produced with the aim to introduce the European market to Peruvian biotrade companies:</p> <ul style="list-style-type: none">• Tara gum• Sacha Inchi• Dehydrated organic and fair trade certified Physalis
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1. Product description

Sacha inchi is an oleaginous perennial plant native to the Amazon region of Peru. The plant has been cultivated by indigenous people for centuries. Sacha inchi can grow to a size of two meters. The leaves have a length of 10-12 cm, and a width of 8-10 cm. Five months after the sach a inchi has been planted it flowers. The fruits of the sach a inchi plant are capsules consisting of four (up to seven) lobes, which contain the seeds. The fruits are green (see picture), but get blackish brown when they ripen. The seeds are 1.5-2 cm in diameter, and weigh around 45-100 grams. They are oval-shaped, and have a dark brown colour.



Table 1.1: Taxonomic classification

Taxonomic classification		
Family	<i>Euphorbiaceae</i>	Local names: Sacha Inchi, Sacha Peanut, Inca Peanut, Maní del Inca
Genus	<i>Plukenetia</i>	
Species	<i>P. volubilis</i> L.	

Source: Perubiodiverso (GTZ, SECO, MINCETUR), 2009

The sach a inchi seeds consist for 33% of proteins, and for 54% of oil. The oil is one of the largest plant sources of Omega. The oil contains 48.6% Omega 3, as well as 36.8% Omega 6 and 8.2% Omega 9. Furthermore, the oil has an exceptionally low content of saturated fatty acids (6.2%), which makes it a healthy product compared to other oils. The remaining part consists of unsaturated fats (93.7%). Besides, the oil also contains vitamin A (681b ug. per 100gr) and vitamin E (17 mg per 100gr).

Sacha inchi oil is currently gaining international recognition for its health properties and can be used in the food and cosmetics industries.

Novel Food

If you aim to export sach a inchi oil to Europe, the cosmetics market is currently the only option.

Sacha inchi is not allowed yet as a novel food product in the EU, nor in Switzerland (BAG, 14-10-2011). Obtaining Swiss approval requires a rather expensive product analysis providing scientific proof of the product's safety. Considering the small size of the Swiss market, this big effort may be disproportional. Moreover, companies in Switzerland often operate internationally and are strongly linked to the EU, and therefore also aim to comply with the EU novel food regulation.

Traditionally, women of several Peruvian ethnic groups mix sach a inchi oil with flour, which results in a cream that revitalizes the skin and gives it a youthful look (anti-aging). It makes the skin soft and shiny.

1.1 INCI name

The International Nomenclature Cosmetic Ingredients (INCI), refers to the common nomenclature for labeling ingredients on the packaging of cosmetic ingredients. It is developed by Colipa (the European Cosmetic Toiletry and Perfumery Association). Sach a inchi is registered under the INCI name 'Plukenetia Volubilis Seed Oil', and is registered to function as emollient (soften and smoothen the skin), humectant, and skin protector.

An INCI name can 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, or that the use of the substance as a cosmetic ingredient complies with the laws and regulations governing such use.

1.2 HS code and tariffs

Sacha inchi is not classified under a specific Harmonised System (HS) code, but it can be classified under 'Other fixed veg oil, ref or not, nesoi, not chem. modified' (HS 1515.90) as a vegetable oil, under 'Other seeds and fruits' (HS 1207.99) as an oil seed, or under 'Other vegetable saps and extracts' (HS 1302.19) as an extract. Table 1.2 presents the HS codes as detailed as possible,

but sometimes they can be further distinguished according to your product's specific export form.

Table 1.2: HS codes in the EU and EFTA

	Vegetable oil	Oil seed	Vegetable extract
EU	1515.90	1207.992090	1302.1980
Switzerland	1515.90	1207.99	1302.19
Norway	1515.90	1207.9990	1302.1909
Iceland	1515.9009	1207.9900	1302.1909

Sources: <http://exporthelp.europa.eu> (EU), <http://xtares.admin.ch> (Switzerland), <http://www.toll.no> (Norway), <http://www.tollur.is> (Iceland)

For the EU, Peru is part of the GSP+ (Generalised System of Preferences), a special incentive arrangement for sustainable development and good governance, which offers additional tariff reductions to support vulnerable developing countries. The customs tariff applicable to GSP+ countries exporting saccha inchi, in whichever form, is 0%.

The Free Trade Agreement (FTA) signed between Peru and the EFTA countries also exempts Peru from the payment of tariffs when exporting saccha inchi to these countries.

2. European market environment

2.1 Market segments

Although the market potential for sacha inchi is considerably larger in the food market than in the cosmetics market, the former does not provide opportunities due to the unclear situation of EU novel food approval; the application is pending for years now.

Sacha inchi can either be sold to the industrial segment, or to the end-consumer. Especially for the cosmetics sector, it is more likely that sacha inchi (seeds or oil) will be sold to the industrial segment in Europe, where it will be further processed.



Based on the traditional uses of sacha inchi oil, Table 2.1 presents the possible applications of sacha inchi in the cosmetics market. The skin care segment is expected to provide the best opportunities. The hair care segment is a good future option as well, but first research needs to

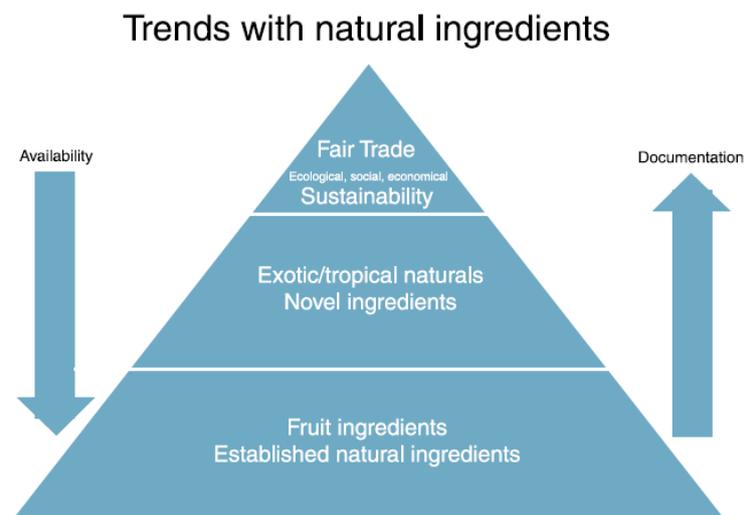
be done regarding sacha inchi as a hair conditioner (it is not registered yet as such under INCI).

Table 2.1: Main market segments for sacha inchi in Europe

Segment	Applications and properties
Skin care (Moisturizing cream, lotion)	<ul style="list-style-type: none"> • Anti-aging, moisturizing, revitalizes the skin, soft and shiny look • Natural, exotic, Amazon, Omega 3
Hair care (Shampoo, conditioner)	<ul style="list-style-type: none"> • Soft and shiny look, renew dry and lifeless hair • Natural, exotic, Amazon, Omega 3
Soap (Binding/ lathering agent)	<ul style="list-style-type: none"> • Natural
Massage oil (Massage of painful/stressful areas, relaxing therapy)	<ul style="list-style-type: none"> • Natural, exotic, Amazon, scent

- *Exotic oils*: the ongoing consumer interest in speciality exotic oils forms an opportunity for sacha inchi oil.
- *Omega 3*: the market for functional/active cosmetics ingredients continues to boom. Sacha inchi would fit into this trend due to its high omega 3 content and its anti-aging effect.
- *Certification*: Europe is an important organic and Fair Trade market. Both have shown strong growth and are expected to grow in the near future. Certification adds value to sacha inchi, making the product even more suitable for the speciality segment. However, this is only useful for a processor as long as he can certify the entire end-product. For example, in order to carry the Ecocert logo, a minimum of 95% of the plant-based ingredients of a cosmetics product must be organic, while this is a minimum of 10% of all ingredients.

Figure 2.1: Trends in the natural ingredients market



Source: Adapted from A. Jones 2007, modified by K. Duerbeck (2011).

2.2 Market trends

2.2.1 Natural

Being a vegetable oil, sacha inchi fits well into the ongoing consumer interest in natural cosmetics products. Demand for new natural ingredients stems mainly from the growing consumer interest in exotic, sustainable, and active ingredients.

Increase your opportunities:

- ➔ Stress the Amazon origin and traditional uses.
- ➔ Catch the attention of potential buyers by promoting the benefits of your product, matching market trends: Omega 3, natural, exotic, active, certification.
- ➔ When considering certification, find out in which end-products the oil would take a significant share, and take this along in your marketing towards potential buyers.

2.2.2 Economic crisis

The recent economic crisis showed that the uncertainties related to it had a negative effect on consumer spending; especially on luxury products, including expensive oils such as sacha inchi. EU economic forecasts are moderate with an expected 0% growth in 2012 but 1.3% growth in 2013. Swiss economic growth is forecasted at 1.7% for 2013. However, forecasts have been fluctuating and another downturn may occur, while also the Euro crisis can have a negative impact.

2.2.3 Marketing campaign

New ingredients on the cosmetics market need a big marketing effort in order to catch the attention of the consumer, which the importer/processor needs to be willing to make. Therefore you need to convince the processor of the uniqueness and opportunities of your product.

2.2.4 Laboratory tests

Sacha inchi oil needs further scientific tests before European manufacturers can sell the product. They need to invest in R&D and feasibility studies to determine whether the ingredient has sufficient potential in the market, looking into its functionality, safety and market opportunities.

Increase your opportunities:

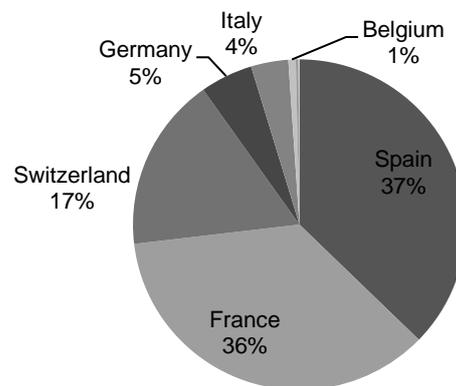
- ➔ Stay up-to-date on the latest economic forecasts by Eurostat (<http://epp.eurostat.ec.europa.eu>).
- ➔ Develop a Technical and Safety Data Sheet, to show your product's properties to potential buyers. Examples can be found at <http://www.earthoil.com>.
- ➔ Cooperate with a big European player, to join R&D and marketing efforts.

2.3 Opportunities and bottlenecks

Which markets offer most opportunities?

Currently, the biggest purchasers of Peruvian sacha inchi are Spain and France, followed by Switzerland (see Figure 2.2). Total Peruvian exports to Europe amounted to 190 thousand US\$ (FOB). No less than 50% of these exports were certified organic. For exporters of organic sacha inchi, the three European importers are France (63% of total Peruvian exports), Switzerland (30%) and Germany (7%) (PromPeru). Total exports by Peru consisted for 98% of sacha inchi *oil* (Agraria). Other possible product forms include the seeds or other derivatives.

Figure 2.2: Peruvian sacha inchi exports to Europe in 2010, share in US\$ FOB value



Source: PromPeru

Growth opportunities for sacha inchi

- Peruvian exports of sacha inchi were forecasted to increase by 50% in 2011 (Agraria).
- Cosmetic consumption in Europe is increasing, growing by 12% in 2010 to a value of € 1.7 billion. The market is estimated to value € 3 billion in 2015 (H&PC, 2011).
- In the face and body care segment, the share of natural products is expected to reach 15% by then, while for other segments it will remain below 1% (H&PC, 2011). Since the skin care segment is expected to provide most opportunities for sacha inchi, this development is very promising.
- Natural cosmetics products already account for approximately 4% of the Swiss cosmetics market, which is a relatively large share, and is forecasted to reach 10% by 2017 (Kline). This development indicates that prospects for natural ingredients, like sacha inchi oil, are positive.



Promote the unique benefits of your product to potential buyers and profit from the predicted growth in natural cosmetics sales.

Table 2.2: Summary of opportunities and threats for sacha inchi in the European cosmetics market

Opportunities	Bottlenecks
<ul style="list-style-type: none"> • Growing demand for exotic products • Growing Omega 3 market • Growing demand for natural cosmetics, especially in the skin care segment • Sustainability trend • Spain, France and Switzerland are the main markets 	<ul style="list-style-type: none"> • Marketing campaign • Laboratory tests (R&D) • Economic crisis • Continuous supply • Sacha inchi is only a small ingredient in the end-product, which can be a bottleneck for organic and Fair Trade sachal inchi • Appropriate Technical and Safety Data Sheets

3. Price

3.1 Price factors and costing

Because sacha inchi oil is new on the European market, it is useful to benchmark prices of competitive products. In general, prices of vegetable oils experienced a dip during the economic crisis, but recovered as from 2010. However, with a possible next downturn on its way, prices might decline again in the near future.

In addition, prices of speciality oils can fluctuate widely because the price level generally depends on the availability, variety, quality, and exchange rates. Furthermore, certification, like organic or Fairtrade, could add a premium to your selling price. In the case of speciality oils like sacha inchi, which are not traded regularly, prices are agreed upon between buyer and seller.

In the case of sacha inchi, the price is best to be based on a cost-calculation of the production, and not on the prices of competitors, because sacha inchi is new on the market and is a speciality product. With the cost-calculation method, the production costs are calculated using a detailed cost breakdown, after which a profit will be added, resulting in the selling price. Make sure to take additional costs (commercial and non-commercial) into account, such as customs, loading/unloading, marketing, samples for chemical analysis and internal transport.

Besides, you can look at substitute products to see if your sacha inchi oil could replace an existing similar oil (see the example in the text box in Chapter 4). However, stepping blindly into the European market without a good understanding of costs, break-even volumes and customer perceived value of your offer is a recipe for failure during negotiations with buyers.

Examples of current consumer Internet prices sacha inchi:

- Sacha Inchi face cream 50gr: € 18,80 (Inka Natural, Peru, <http://www.inkanatural.com>)
- Shanti, Sacha Inchi suntan oil anti-age: € 65 (<http://www.shanti-cosmetics.com>)
- Sacha inchi cream 120gr: €15.46 (Nature Peru, <http://www.natureperu.com>)

3.2 Price structure

3.2.1 Price margins

The value chain of vegetable oils covers the full range of activities required to transform it from a plant, seed or nut into a cosmetic ingredient. Research and development, raw material supply, and all activities of production, marketing and sales to international buyers are often handled by specialised companies. Therefore, different prices and margins apply throughout the various trade channels.

The differences as mentioned above make it impossible to provide information on typical margins throughout the trade of vegetable oils for cosmetics. Especially for speciality oils, which are traded in small quantities to a limited number of companies, margins are very different. However, remember: if you have a unique product you will also be able to get a unique price!

Exotic speciality oils, which are not so well established or are in high demand, generally have higher margins. However, as speciality oils are very trend-sensitive, margins usually show a sharp collapse when the trend is over or when many producers have stepped into this market, leading to oversupply. Maintaining a diverse product range therefore remains important.

3.2.2 Organic and Fair Trade

Regarding certified vegetable oils, there is a price mark-up attached to the product, which is also paid to the exporter. As the certified vegetable oils and oil seeds may be traded in relatively smaller quantities, there can be an additional cost incurred by the importer. The market for sustainable oils is increasing and as supply and demand grow, premium margins will come under pressure.

Keep in mind:

Information on prices and margins is very useful to determine the sales price of your product. However, it is more important to know the cost price of your product and from there on determine the sales price!

4. Competitor analysis

4.1 Existing competitors

Sacha inchi's geographical distribution ranges from Bolivia to Mexico, but is most widespread in the Amazon regions of Peru, Ecuador and Colombia. Currently, Peru is by far the most important production country.

Colombia and Ecuador are also competitors to Peru when it comes to market incentives. Both are part of the EU's GSP+ scheme, while Colombia has also signed a Free Trade Agreement (FTA) with the EFTA countries, which exempts Colombian exporters from paying tariffs when exporting their sacha inchi to these countries. Brazil and Venezuela are part of the EU's GSP general arrangements, but not of GSP+.

According to several interviewed European traders, Peru is currently the only relevant producer of sacha inchi. Two of the interviewed companies visited South America to take a look at the production of sacha inchi, but did not find other producing countries than Peru. However, they expect that sacha inchi could also be produced in surrounding countries such as Ecuador or Brazil.

A new or unknown ingredient from the Amazon, like sacha inchi, is hardly likely to be produced by other players and has a first-to-market advantage. Once success has been achieved, other players will enter this market; yet they will face a time lag in setting up their value chains for these ingredients, or in establishing their cultivation. Moreover, when your sacha inchi oil carries organic or Fairtrade certification, competition is less strong because there are fewer producers of these products, and the market shows continuous growth.

4.2 New entrants

The threat of new entrants depends on the extent to which there are barriers to entry and on margins in the industry. In growth markets, where demand is still growing, margins are usually higher. Therefore the threat of new entrants can be significant for sacha inchi.

One major barrier for new producers is, however, access to the raw material, since it is native to the Amazon Rainforest. Traditionally, sacha inchi was obtained through wild collection. Greater awareness and increasing demand led to cultivation of sacha inchi. It grows in secondary forests, where the capsules are col-

lected by hand to be processed into oil. This makes it possible for other companies in surrounding countries to produce sacha inchi on a larger scale. To stay ahead of competition, Peruvian producers should ensure an orderly and professional process for cultivation of sacha inchi, using in-depth studies of the growing conditions and GAP. Moreover, difficulties with pests need to be solved. Other barriers include financing a marketing campaign, laboratory tests, and complying with EU legislation and buyer requirements.

4.3 Substitutes

Among cosmetic ingredients, vegetable oils in particular, as well as essential oils, are at risk of substitution. Vegetable oils can often be substituted by other vegetable oils, by more refined derivatives or by synthetic alternatives to obtain the right properties. If oils have more specific and highly desired properties or attributes for the buyer, they are more difficult to substitute. Sacha inchi's high content of Omega 3 (and 6) is a great plus in this sense.

Furthermore, it can be more difficult for buyers to replace speciality ingredients, which are certified, ethically produced, or come from a specific exotic origin that carries specific meaning to consumers.

Interview with a Spanish company at BioFach 2012:

Sacha inchi oil could be an alternative to the currently popular rosehip oil in Spain, which is also high in Omega 3, but only when the price is lower. Their current import demand would be: 100kg CIF Spain at around € 12-15 per kilo. Organic certification is required, while Fairtrade is a plus.



➔ *Rosehip seed oil is produced mainly by Chile and Argentina; the raw material grows wild in the southern Andes. It is used in skin care products.*

Due to very limited production capacity, sacha inchi oil will never be able to compete on the global market with other vegetable oils like olive oil. Therefore, it is essential to focus on the speciality segment and work on a sustainable value chain and to communicate the efforts, opportunities and the outstanding qualities.

In sum:

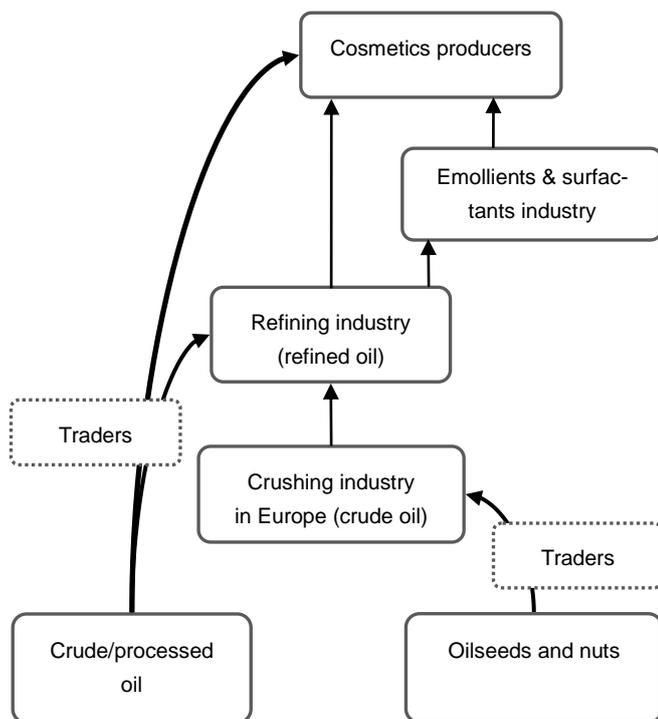
Peru is currently the main producer of sacha inchi oil, and therefore does not face much competition yet. Peruvian producers should profit from their first-to-market advantage!

5. Commercialisation channels in Europe

5.1 Trade channels for sachai inchi

When exporting to Europe, you can export sachai inchi *seeds* or *oil*. The oil, in turn, can be exported in crude form or in refined form. Vegetable oils are usually exported to Europe in *crude* form. Figure 5.1 presents the possible trade channels for sachai inchi.

Figure 5.1: Main trade channels for sachai inchi in Europe



When exporting sachai inchi oil to Europe, the oil can be sold directly to the refining industry, directly to cosmetics producing industry, or reach these two channels through one or more traders (agents, importers, brokers). When exporting oil seeds, these can be sold directly to the crushing industry, or reach this channel indirectly through traders.

Regarding speciality vegetable oils, like sachai inchi, and certified organic or Fair Trade oils, the trade channels are usually relatively short. This is because they are usually traded by specialised traders and are often used directly in cosmetics products, due to the restrictions on chemical processing for certified natural cosmetics. In case of smaller European companies, more intermediates (i.e.

distributors, agents and brokers) are involved, making the supply chain longer.

Although the role of traders and agents is decreasing, due to increasing concentration and consolidation of large processors in Europe - who now have direct contracts with suppliers in DCs -, traders are still the most suitable distribution channels for DC exporters. This is especially true for suppliers who deal not only in small volumes, but also in specialised products - which is the case for sachai inchi.

Traders

Importers buy and sell crude and refined products for their own account and re-sell these to the processing industry. Agents are intermediaries in the buying and selling of orders on behalf of a customer, for which they receive a commission. Agents are usually well-informed on market trends and price levels.

Intra-European trade also occurs. Switzerland, for example, has several strong producers of natural cosmetics, like Weleda and Farfalla, which import natural ingredients, but the country also imports significant amounts of refined oil from (and exports to) the EU, mainly France and Germany. France is of specific interest in the case of sachai inchi, taking up a significant share in Peruvian exports already. France is the largest EU producer of cosmetics and also has a large and growing natural cosmetics industry. French importers focusing on vegetable oils for cosmetics include Bertin and Sirh. Henry Lamotte is a large vegetable oils trader in Germany. Annex 1 to this document presents European traders interested in sachai inchi oil.

Conclusions:

Sachai inchi is most likely to enter the European cosmetics market as a crude or processed oil, reaching the European cosmetics producers via a specialised importer or agent.

6. Market and buyer requirements

6.1 Product requirements

6.1.1 Packaging and labelling

The unit Cosmetics and Medical Devices, of the European Commission / Directorate General Enterprise and Industry, provides information on packaging and labelling, as part of the Cosmetics Directive 76/768/EEC. General labelling requirements stated in this Directive are:

- Name and address of the manufacturer
- Batch number
- Nominal net content
- Function of the product
- Date of minimum durability
- List of ingredients (according to INCI)
- Usage precautions

Regarding Switzerland, packaging and labelling requirements are part of the Swiss cosmetics law (VKos, see legal requirements).

For the cosmetics industry, a standardized quality is important. An example of good packaging is to supply the oil in air-sealed drums (of 5kg or 25kg).

6.1.2 Documentation

When approaching a buyer of sachai inchi, it is of utmost importance that the exporter has product documentation. A Technical Data Sheet (TDS) and a Material Safety Data Sheet (MSDS) are required. Based on this product information, an importer should be able to assess the features of the product and to easily compare it with substitutes. It is important to consider the fact that one of the first things an importer will ask for is more detailed product information. It is of crucial importance that the exporter has this kind of information readily available. Besides, an exporter should be able to indicate the quality of its product, the quantity, the price, and the availability.

Furthermore, it is important to include test results from a laboratory when available, that indicate the properties of the oil. This would definitely be an advantage for an exporter targeting the cosmetics industry since sachai inchi is a new product in Europe.

6.2 Quality standards and certification schemes

6.2.1 Quality standards

When targeting the European market, quality standards are very important. The European customers are looking for reliable suppliers that provide a constant quality at a good price. Next to documented quality standards, the tracking and tracing of the entire production chain is important. Tracing and tracking of ingredients is increasingly required by cosmetics companies and processors in the EU. Suppliers that have a (documented) system of tracing and tracking have a competitive advantage when dealing with European importers. Note that although most quality standards are not obligated, a company will be disadvantaged when not complying with any internationally recognized standard.

ISO 9000 and 14000

Although not an obligatory standard, the ISO 9000 is strongly increasing in importance in Europe. The ISO 9000 standards provide a framework for standardising procedures in an entire organisation, regarding quality, health, safety and environmental issues. The best known environmental system is ISO 14000, within which ISO 14001 is specifically aimed to minimize a company's impact on the environment.

ILO and SA8000

The International Labour Organisation (ILO), installed Conventions and Recommendations so that basic human and labour rights are respected within a company. Issues that are addressed in the Conventions are for example minimum wage, minimum age, and discrimination. The ILO is internationally accepted and provides information and guidance to companies regarding human rights.

SA8000 is one of the most well-known voluntary global standards to ensure social accountability. SA8000 includes standards in the form of a Code of Conduct. The codes are based on the ILO Conventions and on other human rights Conventions.

GMP and GACP

The Good Manufacturing Practice (GMP) and Good Agricultural and Collection Practice (GACP) state the minimum quality and hygiene requirements. These standards are binding for UN member states and have to be incorporated in their legislation. Note that Colipa sets the GMP guidelines for cosmetics.

Other initiatives

Various initiatives have been taken to come to an international standard of natural and organic standards. The two principal ones are Cosmos standard and NaTrue. Although not of direct relevance to producers of ingredients, these certifications will have an influence on the future use of natural ingredients in cosmetics, by improving clarity to consumers and the industry.

NaTrue is a relatively new organisation, which is formed by leading natural cosmetics firms in Europe. The organisation aims to establish clear quality standards for natural and organic cosmetic products.

More information:

- ISO - <http://www.iso.org/iso/home.htm>
- ILO - <http://www.ilo.org>
- SA8000 - <http://www.sa8000.org>
- GMP and GACP: <http://www.who.int>
- NaTrue - <http://www.natrue.org>
- Cosmos - <http://www.cosmos-standard.org>

6.2.2 Certification schemes

Organic

The EEA has specific requirements regarding production and labelling with which an organic product of agricultural origin must comply in order to be marketed as *organic*. These are laid down in the following provisions:

- Organic production and labelling of organic products: [EC 834/2007](#) and [EC 889/2008](#).
- Imports of organic products from third countries: [EC 1235/2008](#).

Although the Swiss industry recognises and accepts EEA standards regarding organic products, optimal marketing in Switzerland might require Biosuisse certification.

- Ordinance on organic food products (Switzerland): [RS 910.18](#).
- Biosuisse - <http://www.bio-suisse.ch>

Fair Trade

Fair Trade standards are set and recognised internationally. The Global Network of Alternative Trade Organization (IFAT) (<http://www.wfto.com>) is a global network of 154 fair trade organizations in 49 countries around the world. The European Fair Trade

Association (EFTA) (<http://www.eftafairtrade.org>) consists of 11 member organizations in 9 European countries.

FLO International (<http://www.fairtrade.net>) is the leading standard-setting and certification organisation for the Fairtrade label and part of a worldwide network of Fair Trade organizations. Products that carry the Fairtrade label guarantee the consumer that producers have a Fairtrade Minimum Price.

Within Europe, FLO is active in Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Ireland, Italy, Luxemburg, the Netherlands, Norway, Spain, Sweden, Switzerland and the UK.

Depending on your target market, other ethical marks may be as well or better recognised and therefore should be considered, such as:

- Fair for Life (IMO) - <http://www.fairforlife.net>
- Ecocert - <http://www.ecocert.com>



Wild collection

In case of wild collection, it is important to use sustainable practices. A number of certification schemes exist to help ensure sustainability. These include the wild collection standards of organic certifiers, the principles and criteria of Biotrade, and the FairWild standard.

- UNCTAD Biotrade Initiative – <http://www.biotrade.org>
- FairWild - <http://www.fairwild.org>



6.3 Legislative requirements

Legislative requirements are the minimum requirements which must be met by sachas inchi marketed in the EU and EFTA countries. Products which fail to meet these requirements are not allowed on the EU and EFTA market.

The EFTA States, with the exception of Switzerland, take part in the European Economic Area (EEA). This means that Liechtenstein, Norway and Iceland follow EU food legislation in general. Table 6.1 presents the legislative requirements for the EEA and Switzerland.

REACH

Contrary to many other ingredients for the cosmetics industry, vegetable oils and fats (including the 'exotics') are exempt from

REACH regulation so long as they are not chemically modified. For more information please refer to Annex 4 and 5 of the REACH regulation.

Table 6.1: Legislative requirements applicable to sachal inchi oil

Requirement	Description	Further information
Cosmetic products and ingredients	The Cosmetics Directive includes, among other things, restrictions on substances in cosmetic products and labelling requirements.	Directive 76/768/EC and its amendments
Wood packaging materials (transport)	The EU sets requirements for wood packaging materials (WPM) such as packing cases, boxes, crates, drums, pallets, box pallets and dunnage (wood used to wedge and support non-wood cargo).	Directive 2000/29/EC
International Nomenclature for Cosmetics Ingredients (INCI)	All ingredients used to formulate cosmetics on sale in Europe are classified under INCI. Sachal Inchi is registered under the INCI name 'Plukenetia Volubilis Seed Oil', and is registered to function as emollient, humectant, and skin protector.	INCI
Liability for defective products	The Product Liability Directive states that the EU importer is liable for the products put on the European market. The EU importer, however, can in principle pass on a claim to the producer/exporter.	Directive 85/374/EEC
Swiss cosmetics law	The most important is legislation 817.023.31 on cosmetics (VKos) dated 23 November, 2005. The Swiss Cosmetic and Detergent Association, SKW, provides a list of the most important Swiss cosmetics legislation.	SKW
Swiss Chemicals Ordinance	Vegetable oils are exempt from Swiss cosmetics legislation.	Swiss legislation: RS 813.11

nance	lation covering chemicals (similar to the EU's REACH legislation), as long as they are not chemically modified.	
Novel Food Law	Novel foods are foods and food ingredients that have not been used for human consumption in the EU before 1997. Although it does not apply to Switzerland, it does influence trade with Swiss importers. The Swiss organisation responsible for approving novel foods in Switzerland is the Bundesamt für Gesundheit (BAG).	EU legislation: EC 258/97 Swiss legislation: BAG

Conclusions:

Critical requirements:

- Cosmetics Directive and Swiss cosmetics law
- Technical Data Sheet (TDS)
- Material Safety Data Sheet (MSDS)
- GACP, GMP

Increasing your competitive edge:

- Product documentation and information
- Implementing a recognized quality standard
- Value chain analysis and traceability
- Organic certification
- Fair Trade certification

7. Promotion

7.1 Recommendations for product promotion

Sacha inchi is quite unknown within the European market, especially among end-consumers. The introduction on this market of such a new product encounters many hurdles and it will take a lot of time, cost and effort to position it. Most of the European companies interviewed about their interest in sachá inchi knew the product, but indicated that a marketing campaign would be needed to introduce the product to the end-consumers in Europe. This would be especially time consuming and costly for the cosmetics industry, as it will need to be processed into a final product.

As an exporter of sachá inchi you should therefore stress the unique characteristics of your product that would be important for the target market and segment of the importer. You should keep in mind that sachá inchi oil is a fairly expensive oil and therefore has to distinguish itself from other oils. The story behind the product would be very important for example, which tells where sachá inchi comes from and why and how it was used by the native people.

7.1.1 Marketing a speciality oil: organic and Fair Trade

Organic and/or Fair Trade certification would make sachá inchi even more suitable for the speciality segment. Growers, crushers and exporters can distinguish themselves from competitive products by offering organic oils to European importers; they can have their fields and pressing facilities certified by (local) EU certifying organisations. Moreover, smaller quantities can be more easily marketed in the organic market than in the regular market, where larger quantities are required by traders.

Interviewed European companies that were interested in importing sachá inchi were asked about the importance of organic and Fair Trade certification in their market. All companies indicated that such certification would certainly add value to a speciality product like sachá inchi oil. One company indicated that it may be relatively easy for sachá inchi producers to satisfy the criteria for organic and Fair Trade certification. Normally, sachá inchi is already being produced in an organic way as the company noticed.

You should note that organic and Fair Trade certification would add a price premium to your product. However, sachá inchi oil would already be relatively expensive, so exporters should be aware of this. On the other hand, because sachá inchi is an expensive

product, the price premium for certification would be relatively low (if you compare it to a cheaper oil to which the same premium is added). One importer indicated that producers may want to wait with Fair Trade certification until the product is on the market, because of the costs involved in obtaining this certification.

7.1.2 Language and communication

When dealing with European importers, English is the most frequently used language. Although most European trading partners will not be native speakers themselves, the vast majority speaks English fluently. Note that Peruvian exporters would have a competitive advantage when communicating with Spanish importers.

Besides, all documentation (company profiles, technical data sheets and so on) should be made available in English. Also a website available in English (including photos of production sites and produce) can be useful for promoting new contacts and sales.

Practical tips:

- Have your product documentation ready and up-to-date (see Chapter 6 for relevant documentation).
- Highlight unique product characteristics.
- Promote the benefits of your product and make sure that your promotion strategy matches current market trends: natural, healthy, Omega 3, exotic, organic, Fair Trade.
- Stress the Amazon origin and traditional uses.
- Promote your product as a speciality product. Additional organic or Fair Trade certification would be a plus.
- English language and communication.

7.2 Finding buyers

7.2.1 Trade fairs

The main trade fairs in Europe which are relevant for the promotion of sachá inchi are:

- In-Cosmetics - <http://www.in-cosmetics.com> - trade fair for suppliers of raw materials/ ingredients for cosmetics, toiletries and personal care.
- Biofach – <http://www.biofach.de> – the most important organic international trade fair held annually in Germany (held together with Vivanness).
- Natural Products Europe - <http://www.naturalproducts.co.uk> - natural, sustainable,

organic food, drink, beauty, supplement and healthcare products.

- SANA - <http://www.sana.it> – fair on natural food and wellbeing in Italy.
- Health Ingredients Europe & Natural Ingredients – <http://hieurope.ingredientsnetwork.com> - ingredients for nutraceutical and functional foods and beverages.

7.2.2 Sector associations and other sources

- The Cosmetic, Toiletry and Perfumery Association (CTPA) - <http://www.thefactsabout.co.uk>
- Personal Care Products Council - <http://www.personalcarecouncil.org>
- FOSFA - Federation of Oils, Seeds & Fats Associations - <http://www.fosfa.org>
- Fediol, the European Federation for the Oil and Protein Meal Industry - <http://www.fediol.be>
- Colipa - The European Cosmetic Toiletry and Perfumery Association - <http://www.colipa.com>
- IKW - German Cosmetics, Toiletry, Perfumery and Detergent Association - <http://www.ikw.org>
- ITC – The International Trade Centre - <http://www.intracen.org>
- The cosmetic suppliers' guide - <http://www.cosmeticsbusiness.com>

7.3 Buyer list

Regarding the cosmetics industry, it became clear that sachá inchi is not yet (commonly) being used for cosmetic products in Europe. Some of the interviewed companies were still working at their R&D departments to look for the properties of sachá inchi, and a formula to use it in cosmetic products. Moreover, the companies indicated that the marketing costs for introducing sachá inchi to the cosmetics market would be really expensive.

Note that all interested buyers would like to receive a sample of the product. It is advised to the Peruvian producers to contact these buyers, and to send a sample and more information about the products on offer.

You can find a list of potential buyers in a separate document.

8. Glossary

Abbreviation	Explanation
EEA	European Economic Area
EU	European Union
EFTA	European Free Trade Association
GSP	Generalised System of Preferences
FLO	Fairtrade Labelling Organisations
HS code	Harmonised Commodity Description and Coding System
INCI	International Nomenclature Cosmetic Ingredients

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