

8 tips for organising your exports of natural ingredients for cosmetics to Europe

Organising your exports is essential for exporters of natural ingredients to Europe. As an exporter, you need to have a good understanding of practical matters concerning exporting, such as customs, tariffs, transportation and documentation. It can make the difference between success and failure in terms of exporting your natural ingredients to Europe.

Contents of this page

1. [Choose suitable international payment terms](#)
2. [Purchase export insurance](#)
3. [Comply with customs policy](#)
4. [Follow guidance on international transport](#)
5. [Get your packaging right](#)
6. [Seek assistance](#)
7. [Meet common importer requirements](#)
8. [Provide documents about the traceability of your natural ingredients](#)

1. Choose suitable international payment terms

Payment is a central part of any trade for all sides involved. It is important to perform [due diligence](#) on potential buyers when assessing payment methods. International trade presents a range of risks, which creates uncertainty between importers and suppliers. As an exporter of natural ingredients in a developing country, it is important for you to minimise your risks while also accommodating buyer's needs.

Establishing the right payment method is crucial in building a long-term relationship with buyers. There are several payment methods available. Cash in advance is relatively risk-free for exporters. However, it can disadvantage the importer, as they run the risk of potential non-delivery of raw materials. Cash in advance is usually done via wire transfer or a cheque. Escrow services on the internet are becoming more common.

Choose this payment method when dealing with new buyers with weak credit ratings or in the case of high-value materials. This payment method presents a high risk for importers. Exporters that offer cash in advance as the only accepted payment term may lose business relationships with buyers to competitors.

Letters of Credit (LC) are one of the most secure payment methods for both the importer and the exporter. It allows both parties to contract a financial institution that acts as an impartial intermediary. The chosen bank will guarantee a full payment to the seller, provided the goods have been shipped and the terms agreed upon in an LC have been adhered to.

LCs have some disadvantages, as they can be restrictive and confusing. Exporters can fail to comply with the agreed terms because of poor understanding. Buyers have the right to reject the delivery if terms are not met, and exporters may have to look for alternative buyers or pay for the shipment to be returned.

There are various types of LC payments, depending on the specific needs of the parties involved. These include standby, revocable, irrevocable, revolving, transferable, untransferable, back-to-back, red clause, green clause and export/import. The most common secure LC transaction from the seller's point of view is standby LC.

This type of payment is very common in international trade. It is used when contracting parties are unfamiliar with each other. It also provides a certain level of security to both parties.

Documentary collections are a type of international payment whereby the exporter uses a bank to collect the payment. The exporter's bank sends the documents that the importer needs to the importer's bank to release

the payment. The transaction goes through the banks involved in exchange for those documents.

There is a risk that the buyer will not pay for the goods upon receiving documents and offer no verification process. However, this type of payment is less expensive and less rigid than LCs.

Open account refers to a payment type whereby raw materials are delivered before payment is made. This type of payment term disadvantages the exporter, as there is no guarantee that the buyer will pay for the goods. Open-account payments are recommended when the relationship and trust between the buyer and the exporter has already been established. Suppliers of natural ingredients are advised to seek insurance to protect themselves from non-payment.

Consignment is a variation of open account whereby payment is sent to the exporter after the goods are sold by a third-party distributor to the customer. This type of transaction is used in the case of finished goods and not raw materials.

Choosing the right payment method depends on a number of factors, such as buyer expectations, resources available, competition, your risk appetite, and prior experience.

A number of financial institutions provide assistance to exporters that export to large European markets. [HSBC](#), [Deutsche Bank](#) and [BNP Paribas](#) are some leading financial institutions that provide assistance. Consider seeking the advice of these financial institutions if you need assistance.

Tips:

Be flexible when negotiating [payment methods](#) with buyers. Importers will always push for the most secure payment terms for themselves, which is likely to be the open-account type of payment. Show a willingness to negotiate, but be honest about what you can commit yourself to. You can also use a combination of payment methods. You can suggest using cash in advance for 50 percent of the fee and secure the other 50 percent by an LC or documentary collection. A combination of various payment methods gives more security to both parties and shows your flexibility and willingness to cooperate.

Use banks or agents to gauge whether suggested terms of payment and additional requirements can be reasonably met.

After agreeing payment terms, request a written contract outlining the payment terms agreed or make sure that it is included in your final contract. Then carefully read and make sure you understand the terms agreed. You should only sign the contract if you accept the terms.

Customise the payment methods depending on the size of the delivery and the type of the contract. In case of high-value raw materials, use more secure payment methods such as cash in advance or LCs.

2. Purchase export insurance

You should consider export insurance to cover yourself against a wide range of risks associated with exporting to Europe. There are various types of risk that you should take into account. Examples include non-payment for your goods or services, the costs of returning goods that your buyer refused to accept, or loss of or damage to goods in transit.

Having export insurance provides exporters of cosmetics ingredients with protection if they encounter difficulties in the import-export transaction period. Not having export insurance may significantly affect your

resources and business relationships when difficulties occur.

Export credit insurance is designed to reduce financial risks to exporters. For example, exporters who have export credit insurance are protected if an importer becomes insolvent, is slow in making payment or defaults on payment terms. There are also other types of insurances that are available for exporters. Examples include goods-in-transit insurance and seller’s interest insurance.

Exporters can find the best places to take out export insurance by contacting their country’s government trade ministries. For example, exporters from Ghana can visit Ghana’s [Trade Facilitation Enquiry Point](#). Additionally, [click here](#) to find information on well-known export insurance companies for exporters in developing countries. The [African Trade Insurance Agency](#) also provides export insurance to exporters from African countries.

Tips:

Make sure you have export insurance. Export credit insurance is the most common, because it offers exporters the greatest protection against several risk factors.

Determine whether there is a business case for buying other types of insurance used in the export of raw materials/commodities. Another type of insurance frequently purchased is goods-in-transit insurance.

Make sure you have you the right documentation ready when you approach insurance companies for quotes. You can do this by asking your insurance broker what documentation is needed to take out a policy. Usually, basic information about your company, a copy of an invoice and the name of your buyer are enough when applying for an insurance policy.

Have detailed knowledge about your business available, such as your businesses turnover and its risks and liabilities. This is because information such as this is required to tailor an export insurance policy based upon your needs and its respective cost.

3. Comply with customs policy

It is essential for exporters of cosmetics ingredients to be compliant with European customs policy. Non-compliance with European customs policy will result in your access to the European market being blocked. Exporters can also face financial penalties, as well as a possible end to their trading relationship with European importers.

Import duties such as tariffs are determined according to the origin of products. Goods are identified by a code number in the [Combined Nomenclature](#). The [EU Common Customs Tariff](#) applies to the import of goods from outside the external borders of the EU. To find out the requirements for your natural ingredients, visit the [European Commission Trade Market Access Database](#). Table 1 gives an example of tariffs for natural ingredients for cosmetics.

Table 1: EU Tariffs for natural ingredients used in the cosmetics sector

HS code	Ingredient	Tariff
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1513211000	Palm kernel and babassu oil for technical or industrial uses other than the manufacture of foodstuffs for human consumption	3.20%
1513111020	Coconut oil for technical or industrial uses other than the manufacture of foodstuffs for human consumption	2.30%
130212	Liquorice extract	3.20%
15159060	Other fixed vegetable oils for technical or industrial uses other than the manufacture of foodstuffs for human consumption	5.10%
33012971	Other essential oils of geranium; of jasmin; of vetiver	2.30%

Source: TARIC

Some EU member states may also have specific customs requirements for the import of goods to their country. There may be differences with regard to custom procedures, documents, laws and regulations and proof of origin. Customs brokers and freight forwarders can complete the customs process for you; consider seeking their services.

Sanctions imposed for non-compliance with EU customs policy differ across EU member states. However, all EU member states impose sanctions for non-compliance with EU customs policy.

The European Union has a number of trade agreements. They are designed to create better trading opportunities and overcome barriers. There are three different types of trade agreements that differ according to their content. These include the Economic Partnership Agreement, Free Trade Agreement and Association Agreement. Economic Partnership Agreements support the development of trade partners from Africa, Pacific and Caribbean (APC) countries, while Free Trade Agreements ensure reciprocal market openings with developed countries and emerging economies by granting preferential access to markets. Association Agreements foster broader political agreements. You can search the [European Commission website](#) for more information on EU trade agreements with specific countries.

There are a number of trade agreements between the EU and APC countries in place, and several are in the process of negotiation.

Table 2 gives an outline of the state of implementation of Economic Partnership Agreements between the EU and individual APC countries.

Table 2: EU Economic Partnership Agreements (EPA) with APC countries, 2018

EPA implemented	Africa	West Africa	Côte d'Ivoire
			Ghana
		Central Africa	Cameroon
		Eastern and Southern Africa (ESA)	Mauritius
			Madagascar
			Seychelles
			Zimbabwe
		Southern Africa Development Community (SADC) EPA group	Botswana
			Lesotho
			Namibia
			South Africa
			Swaziland
	Caribbean	Antigua and Barbuda	Jamaica
		Bahamas	St Lucia
		Barbados	St Vincent
		Belize	St Kitts and Nevis
		Dominica	Suriname
		Dominican Republic	Trinidad and Tobago
		Grenada	Guyana
	Pacific		Fiji
			Papua New Guinea

EPA concluded, adoption ongoing	Africa	West Africa	16 countries
		East African Community (EAC)	5 countries
		Southern Africa Development Community (SADC) EPA group	Mozambique
	Caribbean		Haiti

Source: trade.ec.europa.eu

The EU is also in the process of concluding negotiations with the MERCOSUR trade bloc and Vietnam. Negotiations with countries such as Mexico and Chile have not been finalised.

Tips:

Find out which EU Common Customs Tariffs apply to your natural ingredients and comply with them. You can find this information by using the [TARIC database](#).

Find out if the country that you are exporting to has any specific customs requirements. You can find this type of information by visiting [customs offices](#) in individual European countries.

Seek the services of the EU Trade Helpdesk, as they provide a considerable amount of [information on customs procedures](#) exporters must comply with.

Consider seeking the services of customs brokers and freight forwarders. The International Federation of Customs Brokers Associations provides assistance on [finding custom brokers](#).

Refer to the Economic Partnership Agreement rules of origin for your natural ingredients in order to benefit from preferential tariffs. Carefully study [the handbook on the rules of origin of the EU](#) and what documents you need to comply with regulations.

4. Follow guidance on international transport

You can export your natural ingredients to Europe through several modes of transport. The two most common for natural ingredients are sea and air. One key factor to consider when [choosing your mode of transport](#) is the delivery time of your natural ingredients to Europe. A second key factor is the volume of natural ingredients required for delivery, with larger volumes generally being cheaper to deliver via sea than air.

Logistical and distribution support for your natural ingredients can be found between your country and the destination country. As a natural ingredient exporter, you must get your mode of transport right. Success can lead to long-lasting trading relationships with European importers. Failure can lead to reputational damage.

Natural ingredients often need to be transported under specific conditions, such as under a specific temperature or in special containers. You should inform your logistics provider of the special conditions that your natural ingredients need to be transported under throughout the import-export process. Failure to do this can lead to the quality of your natural ingredients deteriorating when they reach the European importer. This can have a

negative impact on your business relationships with your clients.

Tips:

Determine which mode of transport makes the best business case for you as an exporter. Key factors to consider are delivery time, volume and costs.

Determine whether your natural ingredients need to be transported under specific conditions. If they do, inform your logistics provider about them.

International transport insurance can be taken out in the country that you are exporting from and to. However, it is preferable to take out insurance in the country you are exporting from as you will be covered against more risk factors.

Familiarise yourself with the [INCO terms](#), which are frequently used in the transport sector. Terms include Delivered Duty Unpaid (DDU) and Delivered Duty Paid (DDP). Other frequently used terms in the transport sector can be [found here](#).

5. Get your packaging right

It is essential that you package your natural ingredients correctly. If natural ingredients are packaged incorrectly, they are at risk of damage. Common causes of damage include incorrect transport, storage and handling, alongside theft and damage of natural ingredients.

Ensure your natural ingredients are well protected. Key factors to consider include the right type of packaging, handling ingredients with care, and minimising the risk of contamination. For example, essential oils must be packaged in materials that are not reactive to them. It is likely that your natural ingredients will be handled by several people throughout the import-export process, so ensure they are safe and easy to handle.

Your packaging must include information on the units and weight of your natural ingredients, as well as information on correct handling. Relevant labels, symbols and texts concerning your natural ingredients must also be displayed on their packaging. Packaging can also be used to market your business, so consider displaying your business logo and information on packaging.

Companies are putting greater emphasis on [reducing waste](#) as a way to reduce their environmental impact. Examples include limiting the use of plastic packaging and other resource-intensive packaging materials. Exporters should therefore strongly consider using alternatives to plastic or other more environmentally friendly materials.

Tips:

Determine if your importer of natural ingredients has any specific packaging requirements.

Ensure your natural ingredients are stored in the correct conditions, so the quality does not deteriorate. Do this by informing your logistics provider of the conditions natural ingredients must be transported under.

Consider purchasing goods-in-transit insurance, which provides cover against risk factors such as incorrect storage and handling, theft and contamination.

If your natural ingredients are hazardous and have a UN number, use UN-approved packaging. See the [UN Recommendations on the Transport of Dangerous Goods](#) for further information. Use packaging as a way of marketing your business and your natural ingredients.

Look up your product in [the European Union Labelling/Marking Requirements](#) to familiarise yourself with packaging and labelling requirements.

6. Seek assistance

Several government and non-government agencies and commercial organisations provide assistance or offer services to help you export your natural ingredients. A key advantage of seeking their assistance is that they are likely to provide you with vital information about the marketplace. Furthermore, assistance is often cost-free, especially from government and non-government agencies.

The [Centre for the Promotion of Imports from developing countries](#) (CBI) is one government agency that provides assistance to exporters, specifically expert coaching and training, alongside literature that helps exporters access the European market. Other government agencies providing assistance to exporters include the [Import Promotion Desk](#) (IPD), [EU Trade Helpdesk](#) and [Open Trade Gate Sweden](#). Consider seeking their respective services.

Non-government agencies such as [Africrops](#) provide exporters with consulting services on capacity building and training in several African countries. The [UK Institute of Export & International Trade](#) is the professional membership body that represents and supports the interests of everyone involved in import, export and international trade.

[Logistics Alliance Germany](#) represents leading logistics service providers with expertise in sector-specific logistics across all transport modes; consider seeking their services. [Logistics France](#) provides lists of companies which offer logistical services; consider contacting companies which meet your business needs.

The Netherlands' [evofenedex](#) is a business association that has a network of Dutch trade and production companies with a logistical or international operation. Consider seeking its services. Additionally, check if government ministries in the country you are exporting your natural ingredients from offer assistance. This can include, for example, the Ministry of Trade or Business.

Tips:

See the [CBI study on tips to find buyers](#) on the European natural ingredients for cosmetics market. You can find more information on how to successfully connect with importers in Europe.

See the [CBI study on tips for doing business](#) with European buyers of natural ingredients for cosmetics. This study provides valuable information on how to build and maintain relationships with European buyers.

See the [CBI study on how to prepare a technical dossier for cosmetics ingredients](#). This study provides information on data sheets and technical documents that are needed when approaching European buyers.

Approach export promotion agencies and chambers of commerce in your country of origin. These agencies may be helpful if you are exporting raw materials that are typical to your country of origin.

7. Meet common importer requirements

European importers of natural ingredients for cosmetics are becoming increasingly demanding in terms of the quality of raw materials. Suppliers of natural ingredients from developing countries should put a lot of emphasis on keeping the level of quality consistent between batches.

Increasing quality standards are driven by consumer demand. Importers often require exporters to comply with sustainability principles in terms of sourcing. The most common guidelines include [Good Agricultural and Collection Practices](#) and [Hazard Analysis & Critical Control Points](#). If natural ingredients such as essential oils are destined for use in perfumes, you may be required to follow [International Fragrance Association \(IFRA\) standards](#).

Other additional requirements importers may have include natural ingredients being sustainably produced. Organic and fair-trade certifications are becoming common requirements for buyers. This trend is driven by rising consumer demand for ethical and natural products. This trend is likely to continue in the future.

Tips:

Carefully determine what additional requirements European importers have. Be willing to negotiate and adapt to the additional requirements that your buyers have. If buyers' requirements present an excessive financial strain, be honest and do not commit to standards you cannot meet.

Ensure you meet basic quality requirements for your ingredients. For example, if you are an exporter of essential oils, you must meet IFRA standards. This will make your natural ingredients more competitive and add credibility.

Consider adopting standards that refer to production facilities and quality management systems. Examples include ISO 22000, FSSC 22000 and ISO 9001:2015.

Prepare a dossier with all additional standards and certifications that you meet. Be ready to show these documents when approaching European buyers.

8. Provide documents about the traceability of your natural ingredients

When organising your exports to Europe, ensure traceability of your natural ingredients. According to the EU regulations, all cosmetics ingredients have to meet standard requirements for safety and effectiveness.

It is necessary for suppliers of cosmetics ingredients to have an extensive portfolio of documentation that refers to the physical and chemical, microbiological and toxicological attributes of their ingredients. The most important documents include Technical Data Sheets, Safety Data Sheets, and Certificates of Analysis. For more information on these types of documents, read the CBI study on [how to prepare a technical dossier for cosmetics ingredients](#).

Required information in these documents depends on many variables, including the type of ingredients that you supply and the specific buyers you are dealing with. It is essential that you communicate with buyers what their requirements are and what type of information they need.

Make sure that the traceability documentation of your ingredients is done correctly. This creates trust and shows that you are a reliable client. Traceability of natural ingredients for the cosmetics sector is expected to become more important in the foreseeable future.

Tips:

Ensure information guaranteeing traceability is available and accessible. Some buyers may require more data than others, so you have to adapt to each client.

Keep in mind that some information is confidential. Sharing of confidential data is done within the scope of confidentiality agreements.


Your documentation must be complete before you start approaching buyers. Make sure that you update your dossier on a regular basis.

Do your research and have a look at how your competitors organise their documentation. You can do this in person by visiting trade shows and/or you can discuss with buyers. For more tips on visiting trade shows, read the CBI study on [tips to find buyers on the European natural ingredients for cosmetics market](#).


This study has been carried out on behalf of CBI by [Ecovia Intelligence](#).

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