



[Through what channels can you get natural ingredients for health products onto the market in Europe?](#)

In Europe, the food supplements segment offers the most opportunities for suppliers of new natural ingredients. If you supply established ingredients, you will also find opportunities in the herbal medicinal products segment. These segments differ greatly in legislative requirements. Importers are your best channel to enter the market. It is also becoming increasingly interesting to target European processors and manufacturers directly.

Contents of this page

1. [Which market segments should be targeted?](#)
2. [Which channels can you use to market your natural ingredients for health products?](#)

1 . Which market segments should be targeted?

Natural ingredients for health products include:

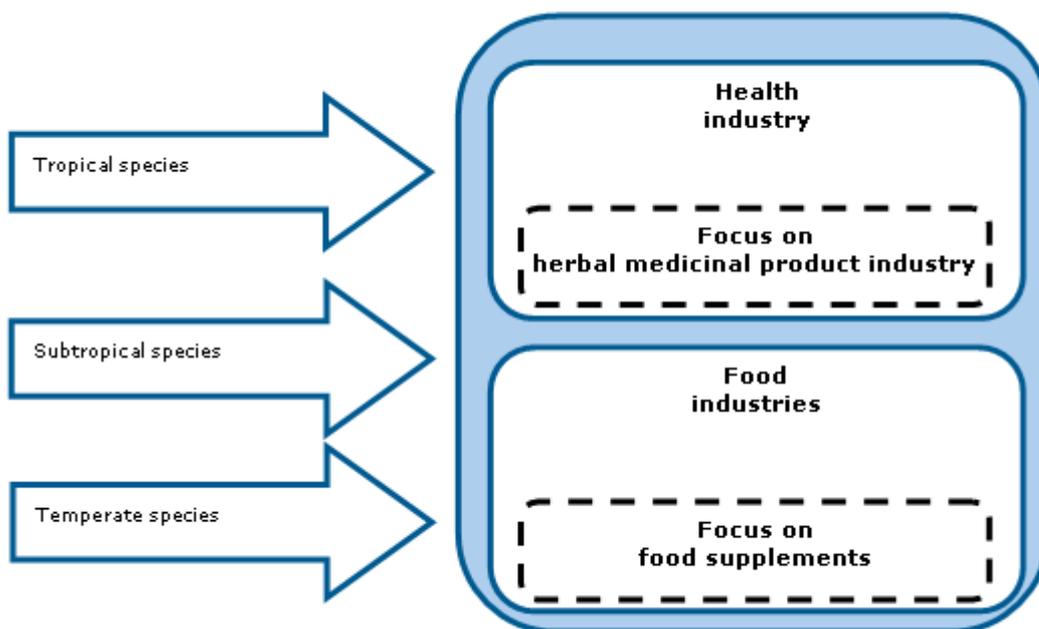
- raw materials, such as medicinal and aromatic plants (MAPs)
- extracts
- active ingredients that are used as starting materials for pharmaceuticals.

This study segments the market for natural ingredients for health products in two ways, based on:

- their application on the European market (herbal medicinal products and food supplements)
- the type of species (tropical, subtropical or temperate).

Which segment you should target depends on how well you can comply with their requirements.

Figure 1: Market segmentation



Our studies on health products focus on two main segments:

- herbal medicinal products (part of the public health industry)
- food supplements (part of the food industry).

It does not cover food for special medical purposes and medical devices. Opportunities for developing country producers in these segments are limited. There are also opportunities for developing producers in cosmeceuticals. These products are covered by [cosmetic legislation](#).

The [European aromatherapy market segment](#) offers additional opportunities if you supply high-value essential oils. Consumers are increasingly using aromatherapy for specific health issues, especially in France and Germany. In these countries, aromatherapy is used as a health treatment.

However, throughout Europe, aromatherapy oils are almost always marketed and sold as cosmetic products. Only 10% of aromatherapy essential oils are sold as herbal medicinal products. Therefore, they are covered by European [cosmetics legislation](#) as well. See our study on buyer requirements for [natural ingredients for health products](#) for more information.

Herbal medicinal products versus food supplements

The difference between herbal medicinal products and food supplements is not always clear. This is because of several [borderline issues](#) and because countries classify products differently. For example, a product that contains [turmeric \(*Curcuma longa*\)](#) could be classified as a food supplement, but also as a herbal medicinal product. This mainly depends on how it is marketed: as a food supplement or as a herbal medicinal product. Only herbal medicinal products can make a medicinal claim, that is, that they can be used for treating a specific condition. In addition, the content of active ingredients or compounds differs between the two segments.

You absolutely need to know in which segment your natural ingredients end up, as there are big differences in related legislation. Because of these legal differences, you need to take a [different route to the market](#). Aside from different legal requirements, your route to market also differs depending on whether you export [established or new ingredients](#).

The markets also have their own [trends](#). Table 1 gives an overview of the main differences.

You can access the market for these segments through similar market channels and players: importers, distributors and processors. See the second part of this study for more information

about the market channels and how to use them.

Table 1: Key characteristics of the food supplement and herbal medicinal product industries

Examples	Food supplement industry Ingredients such as <i>Ginkgo biloba</i> (ginkgo) and <i>Cynara scolymus</i> (artichoke)	Herbal medicinal products industry Ingredients such as <i>Rauwolfia</i> alkaloids from <i>Rauwolfia serpentina</i> (Asia), and <i>Rauwolfia vomitoria</i> (West Africa)
Legal framework	Governed by the European General Food Law and food supplement legislation .	Governed by European legislation on medicinal products for human use , as well as good manufacturing practices (GMP). There is a simplified regime for herbal medicinal products.
Market size and dynamics	Medium-sized market with high growth (it is much easier to receive authorisation for new products for this market). Main markets are Italy, the United Kingdom, France and Germany, with most developments taking place in the UK.	Small established market with limited growth, even decreasing in size in many countries. Strong markets in France, Germany and Eastern Europe. Growth in East European markets has slowed down. A recent increase in the number of market authorisations might indicate renewed attention for this segment from manufacturers.
Level of competition	Highly competitive market: Relatively easy for new players to enter the market, but also expect strong competition from new entrants. Less stable supplier-buyer relationships than in herbal medicinal products. Buyers can more easily switch to new suppliers.	Competitive market: Difficult to enter this market and compete with established suppliers of ingredients. Strong global competition for several raw materials because of regular supply difficulties, for example for wild-collected ingredients such as <i>Rauwolfia serpentina</i> . If you can offer sustainable supplies of these products, you will have a good competitive position.
Margins	Low margins (in case of established species).	In general, margins are higher than for food supplements. Although prices for ingredients for herbal medicinal products are higher than for food supplements, so are the costs.

Market players	The main market channels are traders, processors and manufacturers. Players can be the same as for herbal medicinal products, especially traders and processors. In particular for food supplements, traders often control documentation and quality, and hold stocks. However, direct contacts between suppliers and processors/manufacturers are becoming more common to eliminate the middlemen.	The main market channels are traders, but there are increasing opportunities for direct sourcing by processors/manufacturers. See the section on market channels below. Players can be the same as for food supplements. In general, there is more direct trade to control supply chains.
Value chain	High level of vertical integration in the chain: companies combine cultivation, processing and/or marketing.	High level of vertical integration in the chain: companies combine cultivation, processing and/or marketing.
Trade relations	For established species, trade relations focus on maximising supply security and reducing supply costs. For innovative ingredients, there is a need for collaboration.	Trade relations offer room for collaboration.
Volume and quality requirements	Volumes are generally higher than for herbal medicinal products. Buyers define specifications that your ingredients must comply with. While specifications define clear quality requirements, they differ between buyers. Buyers also give more attention to standards along the entire value chain (e.g. HACCP, ISO22000).	Minimum quality requirements are defined by Pharmacopoeia monographs.
Raw material	Uses raw materials (such as MAPs) and extracts based on international, regional or national standards, like Pharmacopoeia and monographs. There is a strong focus on cultivation to improve supply chain security (volume, standardisation, control). European supply of wild-collected products is declining. Growing importance of organic certification and in some markets fair trade certification.	Uses raw materials (such as MAPs) and extracts based on international, regional or national standards, like Pharmacopoeia and monographs. Also uses natural ingredients as active substances to produce active pharmaceutical ingredients (APIs). Raw materials are to a large extent wild-collected. Traceability is not always available. Endangered wild-collected species are listed in Appendix II of the Convention on International Trade in Endangered Species (CITES).

Source: industry sources, ProFound, Klaus Duerbeck Consulting 2016

Herbal medicinal products

The herbal medical industry has become more consolidated. Several smaller players have disappeared, especially in the United Kingdom, or are now part of larger groups. For example, the German [Steigerwald Arzneimittelwerk](#) was bought by [Bayer](#). German groups such as [Schwabe](#) are increasingly dominant in the sector. The group [acquired companies in countries both in and outside of Europe](#) (for example in the United Kingdom, Austria and the United States).

New products are increasingly entering the market as food supplements instead of herbal medicinal products. In some countries (United Kingdom, France and Italy) the herbal medicinal products market decreased in size because manufacturers re-formulated their products as food supplements.

As a result of the strict quality control processes required by health authorities, herbal medicinal product manufacturers maintain a strong control over their value chains. This also means that for this segment it can be difficult to process raw materials into extracts at the source.

It is risky and expensive for herbal medicinal product manufacturers to change suppliers. Except for with regard to scarce products, buyers will not easily switch to cheaper suppliers outside Europe, since prices for European extracts are acceptable. In addition, buyers need to control and document the quality of all active substances throughout their supply chain, set out in a [Common Technical Document](#) (CTD). Many developing country suppliers face difficulties to meet the necessary quality and legislative requirements.

Tips:

- See our study on [trends in health products](#) for more information on the herbal medicinal product market in Europe.
- See the section on market channels below for additional information on supplying the herbal medicinal products market segment.

We can segment herbal medicinal products further when looking at:

- different traditional medicine systems
- indications, such as digestive health

Traditional medicine systems

In Europe, Western herbal medicinal products make up the largest share of herbal medicinal products. It is difficult to market certain herbal medicinal products that are mostly used in other traditional medicine systems. For example, it will be difficult to market products that:

- are based on species without a history of use in Europe
- use multiple ingredients (many Traditional Chinese Medicine products)
- contain non-herbal ingredients (many Ayurvedic products).

The market for other medicine systems differs among countries. Homeopathy is especially important in Germanic countries and France, while consumption is also significant in Belgium and the Netherlands. The United Kingdom leads the way in terms of Traditional Chinese Medicine (TCM) and Ayurvedic medicine.

Unani medicine, as well as other non-Western traditional medicinal practices, plays a minor role in Europe. These other non-Western medicinal traditions are mostly practised by immigrant populations across Europe, such as various African medicine traditions, or Jamu from Indonesia.

Health indications

Consumers use herbal medicinal products for various health indications. Examples of these health indications include:

- [cognition](#)
- [digestive health](#)
- [joint health](#)
- [vascular health](#)

- [stress and anxiety](#).

The species used in herbal medicinal products differ among health indications, although there is also a lot of overlap. For example, *Ginkgo biloba* can be used in both cognition and vascular health products.

For many health indications, the European market offers options in both herbal medicinal products and food supplements. For some health indications, such as vascular health and cognition, consumers more commonly use herbal medicinal products. For health indications such as immune health or stress and anxiety, it is more usual to take food supplements.

The comparative size of these health indication segments also differs among European markets.

Tip:

- Is your ingredient used in a specific traditional medicinal system or for a specific health indication? Find out which European market you should target. See our [studies on promising countries and markets](#) for more information.

Food supplements

You can find more opportunities for innovation in the food supplements segment than the herbal medicinal products market. However, because it is a trend-sensitive sector, there is a risk that ingredients that are popular today lose out to a new ingredient tomorrow. This means that your work to market the ingredient in Europe may not last long enough for you to earn back your investments. Also, because quality requirements for ingredients are lower, so are prices.

The food supplements segment also offers more opportunities to add value to your raw materials by processing them into extracts that meet European requirements. Producers in developing countries have increasing access to the latest technology and the human resources to develop extracts that comply with international (United Nations) guidance legislation and European/national legislation.

As a producer or exporter from a developing country, it may be easier for you to meet the quality requirements for food supplements than for herbal medicinal products. For food supplements, these requirements are less strict than for herbal medicinal products.

European manufacturers are shifting part of their production or processing to countries of origin, although many still source extracts of strategic importance and/or local raw materials for processing in Europe.

Europe counts many food supplements manufacturers. In addition to several large (multinational) players, many local players exist as well (especially in Italy and France). Examples of multinationals include:

- [Pharma Nord](#) from Denmark
- [Bioforce](#) in Switzerland
- [Abtei](#) from Germany

Most food supplements are still based on established species, but there is room for lesser-known ingredients. There is room in particular for those ingredients which are on positive lists of various European countries. European legislation makes it difficult to introduce truly new ingredients to the food supplement market.

In general, brand ownership is increasingly concentrated in fewer companies. One example is [Omega Pharma](#). This Belgian medicine and supplements company has bought brands across Europe, including in Belgium, France and Germany. These many brands include [Lactacyd](#), [Abtei](#),

[Solpadeine](#), [Zantac](#), [Nytol](#) (acquired from Glaxo Smith Kline) and [Biover](#). Moreover, in 2014 Omega Pharma was acquired by [Perrigo Company](#), which is based in Ireland and the United States.

Tips:

- Determine which segment offers the most opportunities for your ingredient. Can you comply with the requirements for herbal medicinal products? Do you offer a less-known ingredient with potential in food supplements?
- Research the feasibility of processing at the source. You can also do this in partnerships with other producers or processors. Can you reach the scale of production needed to justify your investments? Can you expect to compete with the shipping of raw materials to Europe and ingredient processing in Europe? Can you guarantee the quality throughout the process?
- See the section on market channels below for more information on targeting endproduct manufacturers directly.
- See our study on [buyer requirements for natural ingredients for health products](#) for more information. This study also includes links to national positive lists for ingredients in food supplements.
- See our study on [trends in health products](#) for more information on the food supplement market in Europe.

Health indications

Food supplements can be further segmented based on what consumers use it for. Common sub-segments are:

- [Immune support](#)
- General health or wellbeing
- [Digestive health](#)
- Vascular system and [heart health](#)
- Beauty
- Eye health
- [Joint and bone health](#)
- [Energy](#)
- [Mood/Relaxing, or stress and anxiety](#)
- [Cognition or concentration](#)
- [Antiobesity or weight management](#).

Food supplements can also be segmented based on the health traditions they belong to, such as [superfoods](#) or Ayurveda, or based on their active content, such as vitamins and minerals or botanicals.

Temperate, sub-tropical or tropical species

We can make a second segmentation based on the climate where species grow (see Figure 1):

Temperate species

You will face competition from producers in different countries:

- European producers compete on quality (physical, chemical, documentation, communication) and have close links to buyers. They could outperform you even if your prices are more competitive.

- Producers in Eastern Europe, Central Asia, developing countries in the Mediterranean and large producers such as China and Kenya compete on price.
- East European producers are strong competitors for wild-collected medicinal and aromatic plants. Many of these are unavailable in your country. Some East European countries also have trade advantages because they are part of the European Union.

Sub-tropical and tropical species

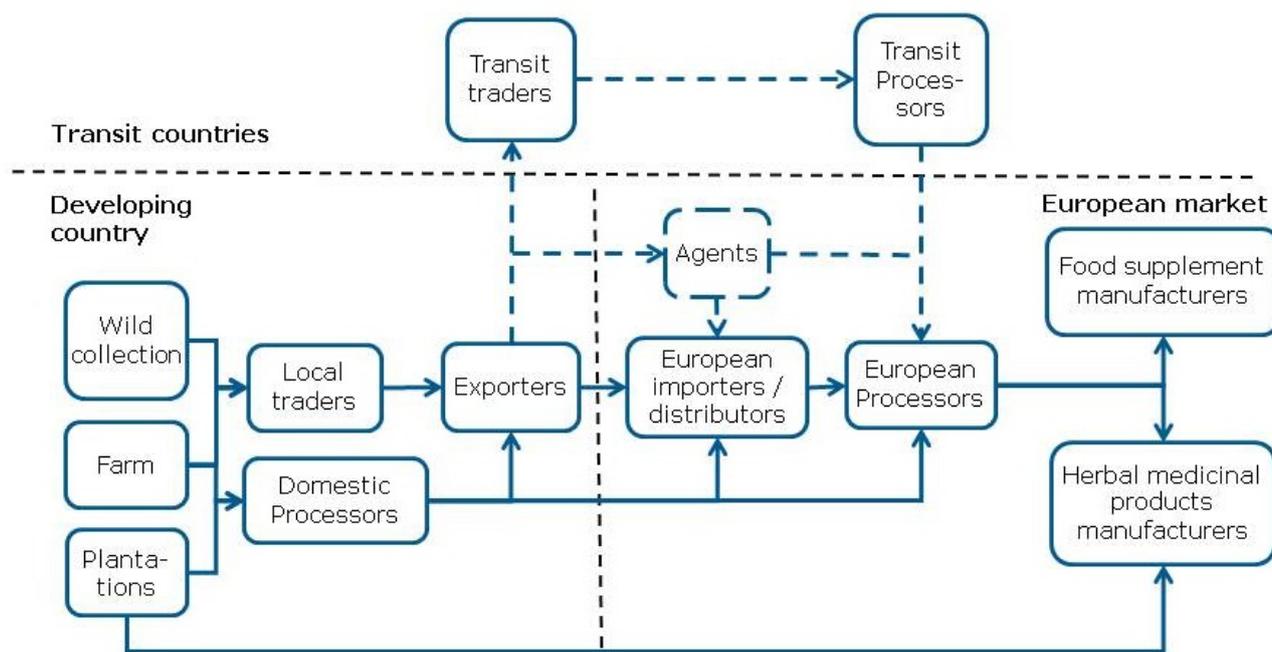
There are more opportunities for these species. European buyers purchase large quantities of tropical and sub-tropical species as they do not grow in Europe. You will face strong competition from other developing countries. There is a potential for both established and lesser-known species.

Tips:

- Build close relationships with buyers. Show and document that you are a sustainable supplier. See our [top 10 tips for doing business](#) for more information on these relationships.
- If you are located outside of Europe and produce temperate species, determine whether you can harvest temperate species if production in Europe is limited or non-existent. That would give you a competitive advantage.
- Consider working with an agent or representative with a good reputation to help you enter the market. See our study on [finding buyers for natural ingredients for health products](#) for more information on agents.
- Do you produce tropical species? First check if they are already permitted on the European market. For which segment are they allowed and according to which requirements?
- Develop thorough evidence-based documentation if you want to market new species for medicinal use. See our study [on buyer requirements for natural ingredients for health products](#).
- Check which species are seen as European plant species by checking if they are harvested in Europe.

2 . Which channels can you use to market your natural ingredients for health products?

Figure 2: Major market channels for natural ingredients for health products



European importers and distributors as the most important entry point

In general, European importers and distributors are your most important entry point into the market (see Figure 2). These can trade in up to 500 species, together with other ingredients, synthetic and otherwise. Their functions include:

- global sourcing
- analysis and quality control
- rectification
- blending
- product documentation
- sales to processors and end-product manufacturers.

You can trade your natural ingredients through either general or specialised players. Both types of players can be interesting for you, depending on the:

- size of your company
- type of products you supply
- certification and documentation required.

European importers, distributors and processors are diversifying their product range and increasingly work at different levels of the value chain. The role of importers and manufacturers is changing as well, especially in the herbal medicinal segment. They are acquiring companies in producing countries. The German company [Martin Bauer](#) has several companies in Egypt.

This diversification is the result of the consolidation of end-product manufacturers because of the high costs these manufacturers face to comply with legal requirements. Some now supply a wide variety of conventional, organic and/or fair-trade ingredient lines. Their clients include cosmetic, supplement, food and herbal medicinal product manufacturers.

Examples are:

- processors such as [Naturex](#) (now part of [Givaudan](#)) from France, and [Indena](#) from Italy
- extractors and traders such as the [Martin Bauer Group](#)
- distributors such as [IMCD](#).

These diversified companies also offer good market entry opportunities if you can show them you are a viable partner and offer a high-quality product.

Although specialisation is becoming less common, there are still players that specialise by:

- focusing on only one sector, for example ingredients for food supplements, herbal medicinal products or cosmetics
- limiting their product offering, for example only producing extracts or active principles, or offering ingredients from a particular region
- focusing on certified ingredients, for example organic, [FairWild](#) and various fair-trade labels.

Diversified importers, distributors and processors are also becoming bigger. Such larger players have more market power. This is why they can demand additional services from their suppliers (such as audits and certifications) at lower prices. These large buyers also want to limit the number of suppliers they source from, by focusing on those that offer reliable (large) quantities and (documented) qualities. Can you comply with the additional demands and requirements of large buyers such as the diversified processors mentioned above? Then they are a very interesting point of entry to the market.

Tips:

- Do some market research to find the right company or division within a company or network. Begin by looking at company websites, involving experts and finding contacts at trade fairs. You can also develop marketing materials specifically for the different sectors.
- Go to trade fairs for advice from experts on finding less visible niche players.
- See our studies on [trends](#) and [tips for finding buyers](#) for more information.
- Make sure that you can meet demands of large buyers for additional services before you target them. Can you meet their demands regarding quantity, delivery schedules, documentation, financial reporting and auditing, price and quality?
- Look for small or specialised traders if you cannot meet additional demands from large buyers. This is especially relevant if you are a small producer or a processor without a marketing and sales team. See our [tips for finding buyers](#) for more information on how to find small or specialised traders.
- To help you enter the market, consider working with an agent or representative with a good reputation. You can look for commercial agents on the website of [Internationally United Commercial Agents and Brokers \(IUCAB\)](#).

Direct trade to European processors and manufacturers

Europe has a large processing industry. These companies mainly buy their raw materials from importers and distributors. Processing varies from basic processing to isolation and modification of specific molecules. Processors sell ingredients to the end-product manufacturers of herbal medicinal products and food supplements, sometimes via ingredients distributors.

However, processors and end-product manufacturers are increasingly sourcing key ingredients directly, instead of going through importers. They do this to guarantee quality, price and a sustainable supply over time for ingredients with high supply risks. These can be ingredients that are used in a high volume of end products, with a high-risk supply situation, or ingredients with a crucial active component. If you have the human resources/staff available, you could supply processors or end-product manufacturers directly and get a better price.

Increased direct trade

Your opportunities are growing to supply processors or end-product manufacturers directly as

capacities in countries of origin increase. Processing and marketing is improving, for example regarding:

- logistics
- connecting to buyers
- documentation
- quality rectification
- verification.

If you can comply with global legislation, you can also meet buyer demands in Europe more easily. The increasing use of the internet for online sourcing can also help you to trade to Europe directly, for example with tenders and online procurement systems.

If you want to supply these players directly, you must:

- add value and communicate a function. Your company and product documentation must be impeccable. You need to address quality, identity and consistency in availability. These are vital.
- improve your logistics to ensure just-in-time delivery of smaller quantities at a short notice. This leads to higher logistics and contracting costs and requires good communications and logistics skills of your export staff. This is important for many species that European buyers work with. You may need to develop distribution capacities in Europe.
- consolidate with other suppliers if you cannot deliver the high quantities your buyer demands, for example for established species, such as chamomile or valerian.
- have access to the right export packaging capacity, either in-house or through outsourcing services.
- convince manufacturers to add another supplier to their books rather than using one of their existing ones. This will be difficult, especially you want to target the herbal medicine segment.

If you are a small supplier, it may be easier for you to trade through smaller processors. They often require lower quantities and are still important to the industry. Moreover, the quantities required for many less-traded medicinal and aromatic plant (MAP) species are, and will continue to be, limited.

On the supply side, there is also a trend to cut out 'middleman' from the value chain if they add little value (see Figure 2). More and more, companies in developing countries can reach European buyers themselves. Middlemen that are cut out include local traders, brokers and distributors that trade a large variety of products and have little vested interest in or knowledge of a specific ingredient. In addition, many local traders are becoming obsolete as they cannot offer the traceability that is required in Europe.

Some middlemen, however, have successfully redefined their role in local value chains. They have become service providers for sustainable sourcing and procurement, which is an important and useful aid to producers and manufacturers. Other traders contribute by breaking large batches into smaller quantities.

Tips:

- Determine if you can supply processors and manufacturers directly. Can you compete with European distributors on price, volume, quality, communication and support services and timely delivery?
- Explore what traceability requirements legislation and your (potential) buyers demand of you. Do you have the necessary human and financial resources to meet them?
- Organise your human resources and communication to gain direct access to industrial users. Provide the necessary volumes in a consistent quality. Look for partners if you cannot deliver sufficient volumes by yourself. This is especially important if you produce wild-collected species, where small producers rarely deal directly with industrial users.

- Review the function and the added value of your middlemen. Do they still increase value or can you take over their activities yourself?

Trading through transit countries

Some natural ingredients are traded through transit countries. Traders and processors in transit countries link producers from their regions to buyers worldwide. These may be viable markets for you, especially if you produce raw materials. Examples include:

- Turkey (for Central Asia, northern Africa, and the Middle East)
- South Africa (for southern Africa)
- Hong Kong (for Southeast Asia)
- Spain and Italy (for northern Africa, for example Morocco and Tunisia)

Tips:

- If you are unable to process your raw materials yourself, consider cooperating with processors in your home country or those in transit countries in your region.
- If you are importing raw materials from another country, ensure that you can document their traceability. This is key for quality assurance. You'll also need this to enter the European market for health ingredients.

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