Exporting liquorice extract for cosmetics to Europe

The ongoing supply shortages of liquorice root offer opportunities for suppliers of liquorice extracts. European demand for liquorice extracts keeps on growing. Liquorice extract and especially its active ingredients have a potential in the growing anti-ageing and skin care market.

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1. Product description

Liquorice (American English: Licorice) is the root of *Glycyrrhiza glabra* and *Glycyrrhiza inflata*. The roots are brown, long and cylindrical. Liquorice roots are usually wild-harvested. They have to be 3 to 4 years old before they can be harvested and processed for extraction.

Liquorice extract is produced by boiling the roots and subsequently evaporating most of the water. Cosmetic product manufacturers are interested in the main active ingredient: glycyrrhizin and its derivatives.

Liquorice extract is traded as a paste, in blocks or as a spray-dried powder. For use in cosmetics, the extracts need to be further processed to produce more highly refined ingredients used in cosmetics (see Table 1).

Unprocessed liquorice extract is not commonly used directly in cosmetics. The extract has similar properties as the “active” ingredients in Table 1, but these are less effective. As a result, it would need to be added in substantial quantities in final formulations to be effective (+4%). Moreover, liquorice extract is black and has a strong smell, making it unattractive for use in most formulations.

The cosmetics industry is a relatively small user of liquorice extract. The tobacco industry is the main user, followed by the confectionery and the pharmaceutical industries. See our studies on natural food additives and natural ingredients for health products for additional information on liquorice for these markets.

See Table 1 for the classification of liquorice and its main active ingredients. These codes and ingredient names are used to identify a product identifications in documentation (as listed in COSING and with CAS number) and in trade (through Harmonised system codes).
Table 1: Classification of liquorice and main active ingredients

<table>
<thead>
<tr>
<th>Source</th>
<th>Classification</th>
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</table>
| COSING: European Commission database with information on the International Nomenclature of Cosmetic Ingredients (INCI) cosmetic substances and ingredients | COSING lists liquorice and its active ingredients as:  
  - Glycyrrhiza glabra root/hizone extract (licorice)  
  - Glycyrrhetinic acid, also known as Enaxolone (skin conditioning properties)  
  - Stearyl glycyrrhetinate (skin conditioning properties and soothing agent)  
  - Glabridin (bleaching agent) |
| Chemical Abstract Service (CAS) Registry numbers                         |  
  - 84775-56-6 (liquorice)  
  - 471-53-4 (glycyrrhetinic acid)  
  - 13832-70-7 (stearyl glycyrrhetinate)  
  - 59870-58-7 (glabridin) |
| Harmonised system codes (trade)                                         |  
  - 1302.12 – Extracts of liquorice (excl. that with a sucrose content by weight of > 10% or in the form of confectionery) |

Source: European Chemicals Agency, CosIng, Trade Helpdesk

2. What makes Europe an interesting market?

Growing demand for anti-ageing cosmetics

Consumers are more aware of the importance of healthy lifestyles. They take more responsibility for their personal health, integrating mental and physical wellbeing. Being healthy also means looking radiant and staying young and active. As a result, cosmetic products that combat ageing or the signs of ageing are increasingly popular. As well as awareness about anti-ageing, there is a growing elderly population. Therefore, the demand for anti-ageing is increasing for this segment too. Zion Market research expects the global anti-ageing cosmetics market to grow by 7.5% annually from 2016 to 2021.

Liquorice extract and its active ingredients have potential in this segment:

- Liquorice extract has smoothing properties and can reduce the appearance of wrinkles. For example, in 2015, a Japanese cosmetic manufacturer identified liquorice extract as an ingredient that can prevent skin sagging.
- Glycyrrhizinic acid and stearyl glycyrrhetinate can enhance the appearance of dry or damaged skin by reducing flaking and restoring suppleness.
- The compound glabridin is used as a whitening agent, for example against ageing spots or to create an even skin tone.
- According to the Cosmetic Ingredient Review, liquorice extracts are used in cosmetic products at concentrations between 0.0001% and 0.5%.

Tips:

- Be aware that the brand owner of a cosmetic product has the responsibility to conclude that an ingredient is safe for use at a particular concentration.
- Have a look at websites such as Cosmetic Analysis, where you can find cosmetic products that use liquorice extract. This can help you to determine what your extract is used for and by what type of cosmetic producers. Don’t use this website as a reference on the safety of use which is defined by European legislation.
- Build up a library of documents that refer to the properties, benefits and claims associated with liquorice extracts and its active ingredients. Refer to publications, press releases, communication materials from competitors and other source material.
Growing demand for sun care cosmetics

To maintain a healthy skin, consumers increasingly use sun care products to prevent sun damage or treat its symptoms. As a result, the market for sun care products is growing. Europe is the largest market for sun care products. Globally, this market is expected to grow by 4% annually from 2015 to 2020. Market research firm Global Industry Analysts expect this market to reach $11.1 billion (£9.5 billion) in 2020.

Research by cosmetics manufacturer Beiersdorf suggests that an active compound from liquorice extract (Licochalcone A) can help protect the skin from harmful effects of UV irradiation.

After-sun products offer another possible opportunity for liquorice extract, subject to safety considerations. Glycyrrhetinic acid and stearyl glycyrrhetinate have anti-inflammatory and soothing properties. These can be used in products that soothe or calm the skin. Glabridin can also help to remedy red and irritated skin. However, glabridin is probably too expensive for such use.

Tips:
- Check the study by Beiersdorf for additional information on the effects of Licochalcone A. Do not claim that this compound is a UV filter; Licochalcone A is not included in the European Union’s list of UV filters allowed in cosmetic products.
- See our study on buyer requirements for natural ingredients for cosmetics for additional information.

Growing demand for natural cosmetics

Consumer demand for natural cosmetics continues to rise. This offers opportunities for natural active ingredients, such as liquorice extract and its active ingredients, subject to safety considerations.

According to the Kline group, the global natural cosmetics market amounted to $33 billion (£29 billion) in 2015, which is 13% of the total cosmetics market (Brands with a Conscience, Ind & Horlings, 2016). This market is predicted to grow to $50 billion (£44 billion) in 2019. Although this is a small share of the total cosmetic market, it is also growing more rapidly.

Tips:
- Find additional information on natural and organic cosmetics in our study on trends for natural ingredients for cosmetics.
- See our study on buyer requirements for natural ingredients for cosmetics for more information on certifications for natural ingredients. Always discuss these options with your buyers. It only makes sense to certify your liquorice extract according to natural or organic standards if the final product is also certified.

Increasing imports of liquorice from developing countries

Countries outside of Europe are the largest suppliers of liquorice extracts, some 78% of total European imports in 2016. Main 2016 suppliers include developing countries (mainly Iran, followed by Turkmenistan, China and Iraq), the United States and the United Arab Emirates (both re-
Liquorice root grows in a wider range of countries between Iran and China, such as Pakistan, Afghanistan, Uzbekistan, Turkmenistan and Kyrgyzstan. However, large-scale extraction is concentrated in Iran, China and Israel. Trade in liquorice roots is included in trade data on “other plants and parts of plants”, documented under HS code 1211.90.

The share of liquorice extract imports for cosmetics is under 5%. Most imports are by food, pharmaceutical and tobacco industries.

From 2012 to 2016, European imports of liquorice extracts from developing countries reported the strongest growth of 7% annually in volume. The import value from developing countries increased by 13% annually, indicating an increase in unit import prices possibly related to supply shortages. In 2016, European imports from developing countries reached 5,000 tonnes at €27 million.

Total European imports of liquorice extracts decreased by 28% annually in the same period. However, this was mainly the result of a significant drop in re-exports from France to the Netherlands.

Direct imports from developing countries mostly enter Europe through Germany, France and the Netherlands (Figure 1). Together, these three countries account for 98% of liquorice imports from developing countries. The United Kingdom and Sweden are smaller importers of liquorice extracts from developing countries.

![Figure 1: Leading European importers of liquorice extracts from developing countries from 2012 to 2016](image)

Countries that use liquorice extract as an ingredient in cosmetics production are mainly located in western Europe. In general, these countries also process and use liquorice extract in food industries.

The French company EVD and German companies Hepner & Eschenbrenner, Norevo and CE Roeper supply most of the European market for liquorice extract.

Germany is by far the largest importer of liquorice extracts. In 2016, the country accounted for 67% of European imports of liquorice extracts from developing countries. Over the last five years, the German import volume was fairly stable, although the value of imports from developing countries increased by 7% annually.
French imports of liquorice extracts grew the fastest over the last five years, by 79% annually. The Netherlands is a small direct importer of liquorice extracts from developing countries. Dutch imports were stable from 2012 to 2016.

In the coming years, some scarcity in the European liquorice market can be expected. China is becoming a net importer. This country was traditionally an exporter of roots and extracts. This is the result of both an increase in domestic demand, as well as diminished supplies from China. Most liquorice roots are wild-harvested and the country has been exhausting its resources. Chinese producers are increasingly directing their sales to the domestic market, offering opportunities for liquorice extract producers from other countries.

To compare, in the 1990’s China exported 8,000–10,000 tonnes of liquorice (both roots and extract). In 2006, exports dropped to around 3,500 tonnes. The same year, imports increased to over 4,000 tonnes.

As a result, the availability of liquorice extracts in Europe is declining as well. Companies are keen to source from other countries in Central Asia, such as Uzbekistan, Afghanistan, Iraq and Pakistan.

**Tips:**
- Target the main importers of liquorice extracts from developing countries: Germany and France. These countries also serve as trade hubs for other countries in Europe.
- Conduct additional market research for more insights into the differences of the countries mentioned above. Use free statistical database, such as [ITC Trademap](https://itctrademap.org) or the [EU Export Helpdesk](https://eurexporthelpdesk.ec.europa.eu).
- Visit or participate in trade fairs to test if the market is open to your product, to obtain market information and to find potential buyers. Relevant trade fairs in Europe are [Vivaness](https://www.vivaness.com) and in particular [in-cosmetics](https://www.in-cosmetics.com).
- Keep up to date with developments in liquorice extract or isolated components, for example by checking the websites of [Cosmetics-Design](https://cosmetics-design.com) and [In-Cosmetics](https://www.in-cosmetics.com). Make sure that the extracts you want to export are in demand on the European market.
- For data on other extracts, see our studies on [marine](https://www.marineextracts.com), conditioning, [anti-ageing](https://www.antiageingextracts.com) or [antioxidant extracts](https://www.oxidantextracts.com).

3. What requirements must liquorice extracts comply with to be allowed on the European market?

**Requirements for cosmetic ingredients**

You can only export your liquorice extract to the European cosmetics market if you comply with the legal [requirements for natural ingredients for cosmetics](https://ec.europa.eu/consumers/food_en). These include:

- Documentation: supplying your buyers with well-structured product and company documentation
- [Registration Evaluation and Authorisation of Chemicals](https://ec.europa.eu/health/ph/everyday_life/chemicals/registration_en) (REACH)
- [Classification, Labelling and Packaging of chemicals](https://ec.europa.eu/health/ph/everyday_life/chemicals/clp_en) (CLP), you can also discuss with the freight forwarder or transport company who will also advise, especially useful in the preparation of your Safety Data Sheet (SDS).
Access and Benefit Sharing
You also need to comply with requirements based on international treaties on using and trading plant resources.

The Nagoya Protocol contains terms and conditions for companies that want to carry out research and development on genetic resources or benefit from traditional knowledge. It aims to make sure the benefits of genetic resources and traditional knowledge are shared in a fair and equitable way. This is called access and benefit sharing (ABS).

European companies are now legally required to follow those laws that are in force in your country regarding access and benefit sharing. Gradually, countries are implementing legislation to govern access to genetic resources.

You will need to find out if the use of the genetic resources falls within the scope of the ABS legislation in the country of origin. If it does, European companies will need evidence that the entire upstream supply chain in the country of origin complies with those national laws.

Anyone who carries out R&D, including the buyer downstream in your supply chain, has ABS obligations under the Nagoya Protocol. They will be responsible for compliance with ABS, but might ask you for help. The national legislation of the country of origin also defines the specific meaning of R&D, or “utilisation” of genetic resources.

Tips:
- See our study on buyer requirements for natural ingredients for cosmetics for more information.
- Develop a procedure to check if ABS applies to every new genetic resource or traditional knowledge you want to develop. This includes knowing the local context and officials. Have a look at the CBD website for more information, which also includes country profiles.

Additional buyer requirements
Many buyers have additional requirements that can go beyond legislation and standards. These are established in buyer specifications and include the following requirements:
- Ensuring a good and reliable level of quality, by following basic practices such as Hazard
Analysis & Critical Control Points or if you want to do more Good Manufacturing Practices of the European Federation for Cosmetic Ingredients.

- Being a sustainable supplier to ensure future availability of your ingredients. Avoid over-harvesting of liquorice roots, provide a living wage to your collectors and ensure you can deliver a stable quality and quantity of extracts. Certification of these sustainable practices is only a requirement for niche markets.
- Showing good corporate social responsibility (CSR) practices, such as developing a code of conduct and improving your performance in key areas (for example with regard to child labour and limiting damage to the environment).

Voluntary standards and certifications

Standards for cosmetic ingredients include the following.

- Natural cosmetics, the largest and most important niche market: NaTrue and Cosmos.
- Organic cosmetics: Soil Association (United Kingdom) and Ecocert (France) also certify according to Cosmos standard for natural and organic cosmetics. BDiH (Germany) also has its own standard.
- ISO 16128 standard as an alternative minimum self-certifiable standard, which covers definitions and criteria for natural and organic cosmetic ingredients and products. Buyers of cosmetic ingredients expect that private sector standards will continue to remain the standard for natural and organic cosmetics in Europe, until Europe introduces legal standards. However, the ISO standards are an option for small producers for which certification according to a private standard is too expensive or not required.
- Fair production, small niche market in terms of certified cosmetic ingredients: Fairtrade and FairWild (for wild-collected liquorice).

Quality requirements

To be of optimum quality, liquorice extracts must be pure, without additives. Moreover, standardisation is increasingly important. This means the content of active components with conditioning properties is standardised. Pay attention to the presence of heavy metals and conform to expectations of European buyers.

The composition of your liquorice extract is an important determinant of the extract’s quality. Especially in terms of the content of glycyrrhizin, or glycyrrhizic acid. This component is used to produce glycyrrhetinic acid, stearyl glycyrrhetinate and glabridin, active ingredients from liquorice used in cosmetic products.

Glycyrrhizin content usually amounts to 7.5–8% in Glycyrrhiza inflata and 5.5–6% in Glycyrrhiza glabra. Other components include starch, gums, sugars, moisture and ash. Buyers also want to know the content of other constituents of your extract. The exact composition depends on location of the plant, harvesting time and the processing method.

You need to train your suppliers to ensure the quality of the extract throughout the value chain. This refers to quality, cultivation or wild-collection, processing and logistics.

In most cases, cosmetics buyers prefer odourless and colourless extracts, in liquid or spray-dried form. Most manufacturers are not interested in liquorice for its fragrance, and/or will use specific fragrance ingredients in their formulation to reach their desired scent.

Tips:

- Extract liquorice roots quickly after harvesting or dry the roots to minimise moisture. Liquorice roots have a high risk of mould infestation or other forms of contamination.
- Fumigate roots if you store them before extraction. This will combat the growth of microorganisms. Only use fumigants that are authorised by the European Union and keep within limits.
Create a standardised product with a well-defined specification. Develop and monitor standard operating processes for harvesting and processing. Use raw materials from different crops to standardise your product’s quality. For example, by combining early and late crops, or crops from different slopes or areas.

If you work with suppliers, provide them with clear guidelines on collection and/or processing practices regarding anything you buy from them, and also provide them with clear specifications of the raw materials you want to buy from them. If your suppliers lack technical or human resource capacities, include pictures in these guidelines and train them on how to comply with these standards.

Keep facilities and equipment clean to prevent contamination with foreign materials. Produce your liquorice extract with a minimum of impurities. Buyers will measure ash content, which will be high if the raw material contains a great deal of soil.

Use an extraction method that is consistent with your buyer’s specifications.

Do not add additives to your extracts unless your buyer requests it. Buyers prefer pure products. Any use of additives must be specified in the technical data sheet (TDS).

If you produce organic liquorice extract, dedicate your processing plant or a specific processing line to only producing organic extracts. This helps avoid contamination from non-organic particles. If you cannot do this, clean your machinery and equipment thoroughly between conventional and organic production.

See our study on preparing a technical dossier for cosmetic ingredients for additional information.

Labelling and documentation requirements
You need to comply with the following requirements for the labelling of your liquorice extract.

- Set up a registration system to identify and trace individual batches of your liquorice extract, whether they are blends or not, and mark them accordingly to ensure traceability.
- Label your products in English, unless your buyer wants you to use a different language.

Your labels must include:
- Product name/INCI name
- Batch code
- Place of origin
- Name and address of exporter
- Date of manufacture
- Best before date
- Net weight
- Recommended storage conditions.

For organic extracts, include the name/code of the inspection body and the certification number.

You also need to give your buyer the following documentation:
- Technical data sheet (TDS) (check this example of glabridin)
- Certificates of analysis (check this example of liquorice extract)
- Safety data sheet (SDS) (check this example of liquorice extract)
- GMO certificate (if requested)
- Certificate of origin
- Product information sheet
Liquorice extract is classified as hazardous. Therefore, you need to include the relevant hazard symbol (see Figure 2) to indicate that the extract is flammable. You also need to include relevant risk and safety phrases. For more information, see this example of a safety data sheet.

Figure 2: Hazard label for liquorice extract

Tips:
- Check the website of the European Chemicals Agency for more information on the hazard classification of liquorice extracts.
- See our study on buyer requirements for natural ingredients for cosmetics for information on classification, labelling and packaging (CLP).
- See our manual on preparing a Technical Dossier for more information (it includes information about preparing a safety data sheet).

Packaging requirements for liquorice extract
Packaging requirements differ per buyer and extract. However, there are some general requirements you have to take into account to preserve the quality of the product, described in the tips below.

Tips:
- Always ask your buyer for their specific packaging requirements.
- Use containers of a material that does not react with components of the extract, such as lacquered or lined steel, or aluminium. Liquorice extract is commonly sold in 290-litre steel drums.
- Make sure that you use waterproof packaging, as liquorice may dry out when liquids diffuse the package.
- Clean and dry the containers before loading the extract.
- Fill the headspace in the container with a gas that does not react with constituents of the extract, such as nitrogen or carbon dioxide.
- Store containers in a dry, cool place to prevent quality deterioration.
- If you produce organic certified liquorice extract, physically separate them from extracts that are not certified.
- See our study on buyer requirements for natural ingredients for cosmetics for information on classification, labelling and packaging (CLP).
4. What competition do you face on the European liquorice extract market?

Market entry barriers

Liquorice roots are generally wild-harvested. As a result, securing stable and sustainable supplies of the raw material is key to enter the market for liquorice extracts.

Processing can also be a market entry barrier, as extraction requires significant investments in plant installations. It also requires specific technical expertise to ensure a good and standardised product quality. For example, different solvents and extraction times can result in variations in extract compositions. You need to determine which extraction methods result in a good and stable quality, and you also need to find out what your buyer expects from you.

You need to show good practices in terms of the supply chain, with regard to:

- processing and safety
- handling of raw materials and extracts
- availability
- traceability.

It is very important to have documented processes in order to understand how you manage risks on all of the above points. Ideally, you would certify some of these processes.

Tips:

- Ensure that you can secure sufficient raw materials by controlling the harvesting of roots. Do a resource analysis, work according to the resource management plan and ensure collectors use sustainable collection methods.

- Determine which investments you need to make to produce liquorice extracts. If you need a significant investment, consider sharing the costs with other extract producers.

- If you cannot produce sufficient quantity and quality of liquorice extracts yourself, link up with other producers.

- Prepare detailed product documentation on product, technical, safety and efficacy data, and prepare professional samples as well. Increase your capacity for safety testing and monitoring to do so.

- For more information and tips, see our tips for doing business.

Product competition

As liquorice extract is a versatile ingredient, the ingredients it competes with depend on what properties (conditioning, soothing, whitening, smoothing) a buyer is looking for. Liquorice extracts face competition from a wide range of ingredients.

Products liquorice extracts face competition from include the following.

- For use in whitening/lightening: vitamins A and C, niacinamide (can be natural and synthetic), Phyllanthus emblica, Morus alba, Withania somnifera, Giga White®, citrus extracts, resveratrol, Ceratonia siliqua (natural extracts)

- For use in smoothing/anti-ageing: peptides, collagen, coenzyme Q10, synthetic alpha-hydroxy
acids and kinetin (can be natural and synthetic), *Centella asiatica*, bladderwrack, propolis wax, *Bulbine frutescens* (natural extracts)

You have several options to stand out from the competition with your liquorice extract, such as:

- Advertising any other popular properties your extract may have (related to relevant market trends).
- Developing interesting marketing stories, based on origin and the marketing appeal of the extract’s provenance.
- Producing liquorice extract at a competitive price.
- Certifying your product, such as with FairWild certification. This can help to show your buyer that you are a sustainable supplier. Demand for organic certified liquorice is limited, according to industry sources.
- Excelling in corporate social responsibility (CSR), although because buyers expect a certain degree of CSR, it is difficult to get a better price for this, since it is becoming a basic market requirement.
- Improving access to resources and/or improving the sustainability of the resource, especially since liquorice roots are mostly wild-collected.

Manufacturers generally will not switch suppliers or include new ingredients once they have included a particular extract in a cosmetic product or product range and have built up its market. Manufacturers are also more interested in new ingredients when developing new products or product ranges.

Table 2: Example of product substitution for skin whitening properties of liquorice extracts

<table>
<thead>
<tr>
<th>Comparative profiles</th>
<th>Liquorice extract</th>
<th>Citrus extracts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Both liquorice extract and citrus extracts have skin whitening properties. These extracts can be used to lighten age spots and make skin tones more even, subject to safety considerations for use in final products.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Competitive advantages</th>
<th>Liquorice extract</th>
<th>Citrus extracts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketing potential</strong>: that of liquorice extract is based on its long-established use in cosmetics.</td>
<td></td>
<td><strong>Marketing potential</strong>: citrus fruits are well known among consumers from food uses. These extracts fit the trend of converging food and cosmetics ingredients.</td>
</tr>
<tr>
<td><strong>Efficacy</strong>: the whitening properties of liquorice come from the compound glabridin. Clinical studies have shown that this compound inhibits the production of melanin (which causes skin colouration). Other liquorice extracts have soothing properties that soothe skin and reduce redness.</td>
<td><strong>Efficacy</strong>: lemon juice and orange peel contain high levels of vitamin C, which helps slow down production of melanin when applied topically.</td>
<td></td>
</tr>
<tr>
<td><strong>Price</strong>: of liquorice extract, and especially glabridin, is higher than that of citrus extracts.</td>
<td><strong>Price</strong>: of citrus extracts is lower than of liquorice extract, especially when produced from citrus peel, a by-product of the juice industry.</td>
<td></td>
</tr>
<tr>
<td><strong>Availability</strong>: of liquorice extract is lower and more unstable as a result of this.</td>
<td><strong>Availability</strong>: of citrus extracts is higher. There is substantial citrus fruit production in South America.</td>
<td></td>
</tr>
</tbody>
</table>

**Tips:**

- Determine the chances of substitution for your product. Find out which competing ingredients you should include in your market analysis. Have a look at Table 2, which gives some considerations for product substitution by comparing the competitive advantages of liquorice extract and citrus extracts, both used for their whitening properties. Compare the composition and properties of your extract with those of the competing products. Communicate this in a clear and attractive way.

- Work out a marketing story for your extract. What sets your extract, or your company apart from competitors? Determine which story is the most attractive for your targeted market segment.
• Provide your buyers with good quality pictures or videos to support your marketing story, for example, pictures of the exotic origin of your extract, results in skin trials, or of traditional or local production processes.

• See our studies on vegetable oils and extracts for more product-specific information and tips: vegetable oils for conditioning, conditioning extracts, shea butter, fruit-seed oils, high omega oils, palm oil alternatives, waxes, marine extracts, antioxidant extracts and anti-ageing extracts.

• Build up a library of documents that refer to the properties, benefits and claims associated with liquorice extract and other ingredients with conditioning properties. Refer to publications, press releases, advertisements from competitors and other source material.

Company competition
Most of your competition will come from producers in Iran and China. Although liquorice roots grow in a large region, large-scale extraction is limited to China and Iran. Israel is a smaller producer of liquorice extracts. Production in China and Iran amounts to a few thousand tonnes annually.

Figure 3 gives an overview of leading suppliers of liquorice extracts.

Figure 3: Leading liquorice extract suppliers 2016
percentage of total suppliers

Iran is the largest supplier of liquorice extracts to the European market. Over the last five years, Iranian supplies to Europe increased by 2% annually.

The pharmaceutical industry prefers Chinese liquorice extract as it contains the highest percentage of glycyrrhizic acid. The main liquorice species in China are Glycyrrhiza inflata and Glycyrrhiza uralensis.

Due to growing domestic demand and declining supplies of liquorice, China has become net importer of liquorice extract. The country has started cultivation of liquorice plants to meet the gap in supplies (Liquorice industry in China, 2014). However, the quality of cultivated liquorice is
insufficient, as the content of glycyrrhizin acid is much lower than that of wild liquorice: below 2% compared to the 7.5–8% found in wild liquorice root.

Turkmenistan is a growing supplier of liquorice extract to Europe. The country has made substantial investments to develop its liquorice extract industry.

The United Arab Emirates emerged as a supplier of liquorice extract to Europe in 2016. These supplies consist of re-exports, mainly from Turkmenistan.

European producers offer little competition as labour costs are too high for large-scale harvesting of the roots. Both Spain and Italy have a limited liquorice root production. They also produce liquorice extracts, which are mostly used by national industries. As a result, they only supply limited quantities of liquorice extract to Europe. Italy has some factories for organic liquorice extracts.

To distinguish your liquorice extract from rivals on the market, you need to find your unique selling point. For more information, see the section on product competition above.

Also build your company reputation to stand out from your rivals. Industry stakeholders indicate that companies increasingly use their reputation to stand out from the competition, instead of focusing on the individual products they produce.

Having a strong company reputation based on trust may make it easier to stand out from the competition. Buyers are less likely to switch to another supplier if they trust your company. This also means that if you damage the relationship you have with your buyers, they will be more susceptible to new suppliers.

**Tips:**
- Promptly answer questions and requests from your buyers or any potential buyers. Be open and honest in your communications. Keep your promises and be transparent about non-compliance.
- Demonstrate that you are a reliable supplier in terms of quality consistency, delivery, packaging, service delivery and supply security. Avoid over-harvesting of liquorice roots to ensure long-term supply stability. Limit price rises at times when world market prices are high.
- Organise your supply chain to distinguish your company on the market. Make sure that your supplies are traceable, sustainable and well documented.
- Investigate the possibility of FairWild certification. Always discuss this option with your buyers. See the ITC Standardsmap for additional information on the FairWild Standard.
- Be prepared to support statements you make with documentation. You also need to prove you adhere to your corporate social responsibility policies.
- See our tips on doing business and our study on competition for natural ingredients for cosmetics for additional information.

5. Which channels can you use to put liquorice extract on the European market?

Which market segments to target?
In order to determine which market segment you should target with your liquorice extract, you
need to answer the following questions.

1. What does your extract do?

You need to consider how your extract relates to the general properties of liquorice extract. In COSING, liquorice extract is registered with several properties.

- Bleaching
- Emollient
- Perfuming
- Skin conditioning
- Smoothing
- Soothing

Moreover, the active ingredients isolated from liquorice extracts are registered with several properties.

- **Glycyrrhetinic acid**: skin conditioning properties
- **Stearyl glycyrrhetinate**: skin conditioning and soothing properties
- **Glabridin**: bleaching properties

In Europe, glycyrrhetinic acid and stearyl glycyrrhetinate are more commonly used than glabridin. Of the two, glycyrrhetinic acid is used more often. Glabridin is most commonly used for whitening products in East Asia and Africa. A substantial part of glabridin production takes place in Europe and the United States.

2. For which industry segment is your extract useful?

Liquorice extracts and its active ingredients are used in a wide range of products, most commonly in skin care. Table 3 gives an overview of claims made for liquorice extract and its active ingredients in most common skin care products using them.

Table 3: Claims made for liquorice extracts and active ingredients

<table>
<thead>
<tr>
<th>Skin care products</th>
<th>Application of liquorice extracts and active ingredients — the claims</th>
</tr>
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<tbody>
<tr>
<td>Anti-ageing products</td>
<td>- Whitens age spots, evens skin tone and reduces redness (with glabridin)</td>
</tr>
<tr>
<td></td>
<td>- Enhances appearance of dry and damaged skin (glycyrrhetinic acid)</td>
</tr>
<tr>
<td></td>
<td>- Smooths skin (liquorice extract)</td>
</tr>
<tr>
<td>After-sun care and sun care</td>
<td>- Soothing and calming properties (glycyrrhetinic acid and stearyl glycyrrhetinate)</td>
</tr>
<tr>
<td>Lip balms</td>
<td>- Diminish taste other ingredients (liquorice extract)</td>
</tr>
<tr>
<td></td>
<td>- Soothes skin (glycyrrhetinic acid and stearyl glycyrrhetinate)</td>
</tr>
<tr>
<td>Products for sensitive and irritated skin</td>
<td>- Soothes and calms the skin and reduces skin redness (glabridin)</td>
</tr>
</tbody>
</table>

Liquorice extract is used to a lesser extent in hair care products, such as shampoo and hair masks, and toiletries, such as deodorants.

1. For which kind of player is your extract interesting?

Both natural and conventional cosmetic brands are interested in liquorice extract. Liquorice extract and its active ingredients are already used in a wide range of products. If you can ensure stable quantities and qualities, big cosmetic brands offer good opportunities.

2. What is your unique selling point?

Your unique selling point for liquorice extract can be based on its market appeal or performance. You need to find out how your product stands out from its competition. What makes it different or special? For example:

- Can you offer a highly effective extract, based on efficacy data?
Do you offer an extract with an interesting marketing story?

**Tips:**
- Use the properties of liquorice extract as registered in Cosing or used on websites of European manufacturers of cosmetics products in your promotional materials. Do not use terminology that is not used on the market.
- Work together with a local university department or laboratory to fully determine the composition of your extract. You need to include this in your product documentation.
- Check online sources such as Cosmetic Analysis to find examples of products that use liquorice extract or its components.
- See our study on doing business for natural ingredients for cosmetics for additional information.

6. Which channels can you use to put your liquorice extract on the European market?

See our study on market channels and segments for natural ingredients for cosmetics for an overview of market channels, segments, trends and developments.

**Liquorice extract production predominantly in countries of origin**

In general, liquorice is imported as an extract, as processing near its source lowers transportation costs. Extraction of liquorice is a relatively simple process. With sufficient care for process quality and hygiene, processors in most developing countries can do this.

European extraction companies still play a role in processing liquorice root, either by producing an extract or processing, such as spray drying. The French company EVD (subsidiary of Mafco) and German company Norevo are the main producers of liquorice extract in Europe.

**European processors play stronger role in processing extracts**

European importers are your most important entry point into the market. They will supply the extract to processors, or directly to cosmetic manufacturers for use in certain formulations. In Europe, China and the United States, liquorice extract is processed into cosmetic ingredients and the active ingredients glycyrrhetinic acid, stearyl glycyrrhetinate and glabridin. In Europe this is mostly done in Spain, France and Italy. However, the main players are located in the United States.

Processing liquorice extract into active ingredients requires specific, costly installations and skilful people. Companies also need to adhere to the strict rules in Europe for these products. The financial and human resources required will probably be out of your scope.

Cosmetic manufacturers in Europe focus on production and on research and development (R&D) activities. They are not very interested in sourcing directly from developing countries. They prefer to source from European importers and processors who can supply small quantities at frequent intervals which meet their stringent requirements.

**Tips:**
- Do a feasibility study to find out if you could set up installations to process liquorice extract into glycyrrhetinic acid and stearyl glycyrrhetinate. Find out which installations you would need to meet your buyer’s requirements and determine if you can earn a return on your investment. Even though these ingredients could fetch a much higher price, the
costs and human resource requirements are also far higher.

- Benefit from the experience and knowledge of European importers instead of approaching end users directly. If you export specialised products such as proprietary liquorice extract, focus on European distributors.

- If you produce certified liquorice extract, check the websites of buyers to find out if they work with certified ingredients. Buyers that do not work with certified ingredients are unlikely to pay a premium for your certification.

- Visit and participate in trade fairs to test market receptivity, to obtain market information and to find potential business partners. The most relevant trade fair in Europe for liquorice extract exporters is in-cosmetics (travelling trade fair). Other options include Beyond Beauty (Paris, France) and SANA (Bologna, Italy), or Vivaness for organic producers (Nuremberg, Germany).

- Find potential buyers by identifying finished products on the market that already use liquorice extract or its active ingredients. For example, check websites such as Cosmetic Analysis.

- See our studies on finding buyers and market channels and segments for additional information.

7. What are the end-market prices?

According to industry sources, prices for liquorice extract average around €6.20 per kg. Strong demand, particularly from China, should keep prices high. Market researcher Future Market Insights expects that liquorice prices will continue to increase in the future, because of raw material shortages.

As a result of the increased exploitation of liquorice root, cultivation has been established in Central Asia, Australia, Brazil, Southern France, Italy and Spain.

Liquorice extract prices also depend on the economic and political situation in the Middle East and Central Asia, the main source of liquorice root. Changes in the political situation may cause large fluctuations in prices.

The three active ingredients produced from liquorice extract are sold at much higher prices.

- Prices for glycyrrhetinic acid and stearyl glycyrrhretinate vary between €350 and €600 per kg, with glycyrrhetinic acid is priced at the lower end of this range and stearyl glycyrrhretinate at the upper end.
- Glabridin is priced at several thousand euros per kg. However, this ingredient is used in much lower concentrations in the cosmetic formulations.

**Tips:**

- Monitor harvests in China, the Middle East and Central Asia to anticipate price developments. You can also request such information from buyers.

- Calculate your production costs by using a detailed cost breakdown from raw material to market. Do not forget additional costs, such as certification, marketing and chemical analysis. After the cost breakdown, add a profit margin to determine your selling price.

- If you compare the price of your extract with competing products, also take the recommended dosage in cosmetics formulations into account. Different ingredients must
or may be used in different quantities to be effective. The price per kg needs to be adjusted for this ratio.

- Determine if you can improve your price competitiveness by improving production and extraction yields. You can also reduce your inputs, including energy inputs, which can be an important sales argument to buyers that focus on sustainability.

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