

Practical market insights for your product

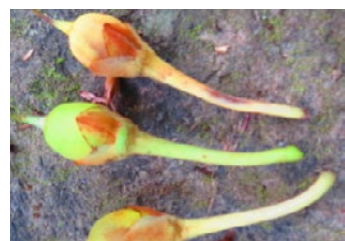
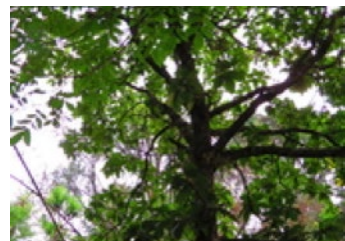
Exporting chiuri butter from Nepal to Germany

German cosmetics manufacturers are open to using new ingredients such as chiuri butter for product innovation and differentiation. However, suppliers of chiuri butter face a number of challenges when trying to access the German market. These are often related to sufficiency of supply volumes and consistency in quality and quantities. At the same time, there are opportunities in terms of niche marketing and value adding propositions.

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DIPLOKNEMA BUTYRACEA
(ROXB.), SEEDS AND CHIURI
BUTTER



Source: indiabiodiversity.org and nationalorganics.com.np

PRODUCT DESCRIPTION

Chiuri butter or phulwara ghee is an extract from the seeds of the chiuri tree: *Diploknema butyracea* (Roxb). The tree is native to East Asia including Nepal and India. Commercial production of chiuri butter is concentrated in Nepal. Producers extract the chiuri butter from the cleaned, dried and crushed seeds with an expeller and then filter and purify the product to obtain a white or light-yellow butter.

CHIURI BUTTER CAN BE USED FOR COSMETICS AND TOILETRIES IN GERMANY.

Chiuri butter is a vegetable fat. It has a high palmitic acid content (up to 60%) and contains palmitoleic acid, stearic acid, oleic acid, linoleic acid, linolenic acid, arachidic acid and vitamin E. The chemical composition determines the applications of chiuri butter in the German market. For example, palmitic acid is a known emollient (i.e. moisturiser) and this function is useful in skin care amongst other uses.

Although the use of chiuri butter in Germany is still limited, it is possible to indicate potential applications based on its properties.

TABLE 1: POTENTIAL APPLICATIONS OF CHIURI BUTTER IN GERMANY

Segment	Application	Properties/Benefits
Cosmetics	Hair care, skin conditioning (e.g. body cream), toiletries (e.g. soap)	Moisturising/nourishing, soothing, emollient

The website of Italian cosmetics manufacturer Officina Naturae provides many [examples of products with chiuri butter as an ingredient](#). The Belgian cosmetics manufacturer Cime provides another example of a chiuri butter application and respective promotion in the European market. Cime has a [balm based on chiuri butter](#).

German manufacturers will likely look at existing applications on the market and the traditional use in Nepal. As Nepal has a history of manufacturing soaps based on chiuri butter, soaps will probably be one of the first applications in Germany.

EUROPEAN LEGISLATION PROHIBITS USE OF CHIURI BUTTER AS A FOOD IN GERMANY.

In Nepal, many people use chiuri butter as a cooking oil. However, chiuri butter does not have a history of use as a food in Germany. European novel food legislation prohibits the marketing of chiuri butter as a food until such marketing is authorised by the European Food Safety Authority (EFSA). Authorisation to market chiuri butter as a food in Germany requires scientific evidence for one of the following types of applications:

- The product has been used for over 25 years in Nepal.
- The product is equivalent to another product which is already allowed as a food.
- The safety of chiuri butter for human consumption is established.

Particularly the establishment of the product's safety through toxicological studies can easily reach hundreds of thousands of euros and is not feasible with current turnover of chiuri butter producers in Nepal.

CLASSIFICATION OF CHIURI BUTTER

TABLE 2: CLASSIFICATION OF CHIURI BUTTER

Classification system	Classification code/name	Description
Harmonised System (HS)	1515.90	fixed vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined, but not chemically modified (other than soya-bean oil, groundnut oil, olive oil, palm oil, sunflower-seed oil, safflower oil, cotton-seed oil, coconut oil, rape oil, palm kernel oil, babassu oil, colza oil, mustard oil, linseed oil, maize oil, castor oil, sesame oil).
Chemical Abstract Service (CAS) "provides an unambiguous way to identify a chemical substance or molecular structure when there are many possible systematic, generic, proprietary or trivial names".	68956-68-3 57-10-3 57-11-4 112-80-1 60-33-3	"expressed oil of vegetable origin consisting primarily of triglycerides of fatty acids" such as chiuri butter Palmitic acid Stearic acid Oleic acid Linoleic acid
<u>Cosing</u> European Commission database of cosmetic substances and ingredients, based on the International Nomenclature of Cosmetic Ingredients (INCI). INCI is a system of names which "differ greatly from systematic chemical nomenclature or from more common trivial names"	Bassia Butyracea Seed Butter	Registered function for Bassia Butyracea Seed Butter: skin conditioning

WHAT MAKES GERMANY AN INTERESTING MARKET?

CHIURI IS A NEW INGREDIENT FOR THE GERMAN MARKET

Compared to international trade in other vegetable oils, trade in chiuri butter is negligible. In the past 5 years, Nepal exported an estimated 20 tonnes of chiuri butter annually to Europe including Germany. As Nepal is the only known exporter of chiuri butter, total European imports are also estimated at around 20 tonnes annually. For comparison, annual global trade in shea butter, a vegetable fat with similar cosmetic applications, is estimated at 10 thousand tonnes.

In the next 5 years, development in trade of chiuri butter depends largely on the interest of European companies to invest in development of a market for this new ingredient. Especially small and innovative German companies are likely to have an interest. The use new ingredients to innovate and distinguish themselves from the competition. Read more about buyer profiles in the section on market channels.

LARGE PRODUCTION POTENTIAL IN NEPAL

Although current exports of chiuri butter from Nepal are small, the supply potential is considerable. Nepal already produces a total of thousands of tonnes of chiuri butter, which are mostly consumed by households and local soap manufacturers.

GROWING DEMAND FOR NATURAL INGREDIENTS FOR COSMETICS

There is a strong public perception in Europe that natural ingredients are safer and healthier than synthetic substitutes. As a result, natural cosmetics sales grow more strongly than conventional cosmetics sales. This offers opportunities for chiuri butter, in both natural and conventional cosmetics.

Germany is the leading European market for natural cosmetics. In 2016, sales of natural and organic cosmetics amounted to 1.1 billion euros. In the past 5 years, sales in this market segment increased fast at an annual rate up to 10%.

In 2016, sales of natural and organic cosmetics in Germany increased by 9.2% to 9% of the total cosmetics market. In comparison, the overall cosmetics market of Europe increased by only 5% in 2016.

TIPS:

- See the section on buyer requirements for more information on standards for natural cosmetics and implications of these standards for suppliers of ingredients for natural cosmetics.
- See CBI's study on [trends for natural ingredients for cosmetics](#) for more data.

GROWING IMPORTANCE OF MARKETING STORIES

German consumers are increasingly interested in the story behind the cosmetic products they use. At the same time, cosmetic companies want their products to stand out from the competition. Next to developing products that stand out, they use marketing stories to achieve this. Chiuri butter combines several elements for an interesting marketing story. The butter is often produced using traditional methods and has a history of use in Nepalese cosmetics. Traditional manufacturing techniques give a more natural and personal character to the product. French cosmetics manufacturer Naturex makes the following claim on their vegetable oils including chiuri butter: "Their production generates a positive social and environmental impact at the source". Certification of your chiuri butter can add to your marketing story. Naturex substantiates their claim with certification: "All of our oils are certified 100% natural by Ecocert Greenlife according to COSMOS and Ecocert (PPAI and PI) standards and 3 are certified organic by Ecocert Greenlife according to the COSMOS standard."

TIPS:

- Develop a marketing story for your chiuri butter. You can include information about the history of the product, collectors of the seeds, traditional production process and traditional use of chiuri butter.
- Give your buyers good quality pictures that show how your chiuri seeds are collected and processed into chiuri butter. Provide additional information on how your product helps local communities. Buyers often communicate ingredient stories with pictures, short stories on the end-product, or in their corporate image or cosmetic brand.
- Be prepared to support any statements that you make with documentation. Increasingly, you also need to prove your policies on Corporate Social Responsibility.
- Have a look at CBI's study on [trends for natural ingredients for cosmetics](#) for more market trends and information on organic and fair trade cosmetics.
- If you want to obtain organic or Fairtrade certification, see CBI's [study on buyer requirements for natural ingredients for cosmetics](#) for more information. Always discuss your options for certification with your buyers.

WHAT REQUIREMENTS MUST YOUR PRODUCT COMPLY WITH?

REQUIREMENTS YOU MUST MEET

COSMETICS REGULATION

The Cosmetics Regulation (EC 1223/2009) covers [safety and efficacy of cosmetic products](#), including toiletries. You cannot make medical claims on cosmetic ingredients. You can only refer to the cosmetic function of chiuri butter as substantiated with evidence.

Although the Cosmetics Regulation applies to finished cosmetic products, there are implications for you as an ingredient supplier. You must provide elaborate and well-structured product documentation to enable German cosmetic manufacturers to comply with the Cosmetics Regulation. German buyers use your documentation to verify safety and efficacy of your products.

TIPS:

- See CBI's workbook for preparing a technical dossier for cosmetic ingredients to [learn how to prepare your documentation](#).
- Use the properties of chiuri butter as used on websites of European manufacturers of cosmetics products in your promotional materials. Do not use terminology that isn't used on the market.

GOOD AND RELIABLE LEVEL OF QUALITY

Most German buyers expect suppliers to at least follow the [Hazard Analysis & Critical Control Points](#) (HACCP) principles for raw material processing. This includes preparation of documentation on the various stages of processing. [Good Manufacturing Practices of the European Federation for Cosmetic Ingredients](#) are not obligatory for cosmetic ingredient producers, but compliance can provide a competitive advantage.

GOOD AGRICULTURAL AND COLLECTION PRACTICES

The World Health Organisation's Good Agricultural and Collection Practices (GACP) guidelines are only legally binding for producers of medicinal plants. However, most of your competitors in the cosmetics market comply with these guidelines as well. Compliance gives you a competitive advantage from a marketing perspective to the few that do not comply yet.

COMMON REQUIREMENTS

The requirements listed below are common in Germany. Most of your competitors already comply with these requirements.

SUSTAINABILITY

You need to be a sustainable supplier and show good standards of social and environmental responsibility and your performance in Corporate Social Responsibility. Certification of sustainable practices is optional. See the section on niche requirements below for more details.

NICHE REQUIREMENTS

Obtain certification for compliance with below standards to gain access to specific market segments.

NATURAL COSMETICS

In cosmetics, the definition of natural and organic cosmetics has been driven by private sector standards, specifically [NaTrue](#), [Cosmos](#) and [BDIH](#). These specify what cosmetic products need to comply with to be certified natural or organic. Natural and cosmetic cosmetics are often defined as containing a certain amount of natural and organic ingredients.

Although not directly applicable to ingredient producers, it is important to be aware of these standards in terms of permitted processes and additives. For example, the Cosmos standard requires cosmetics manufacturers to use organic certified raw materials in cosmetics products labelled as organic cosmetics. EU regulation 834/2007 lays down the [organic standard and rules for certification](#).

TIP:

- Obtain organic certification to enable cosmetics manufacturers to use your chiuri butter in certified organic cosmetics such as products with the Cosmos label.

ISO STANDARD FOR NATURAL AND ORGANIC COSMETIC INGREDIENTS

There are initiatives underway to develop an international standard for natural and organic cosmetics. The first part of the [ISO 16128 standard](#) for natural and organic cosmetics has been published and covers definitions for natural and organic cosmetic ingredients and products. The second part is in development.

Publication of the ISO standard can contribute to growth of the natural and organic cosmetics market. The standard can bring more clarity and transparency to consumers of natural and organic cosmetics about the meaning of claims and labels.

FAIR PRODUCTION

Several standards exist for the certification of socially sustainable production of natural ingredients for cosmetics. Examples of consumer labels that guarantee fair social practices include [Fairtrade](#) and [FairWild](#) (for wild-collected ingredients).

TIP:

- Also refer to the [EU Trade Helpdesk](#) for more information on buyer requirements.

PRODUCT SPECIFICATIONS

QUALITY

Consistent quality is a major concern for German buyers of chiuri butter. It is related to physical properties, chemical composition and the prevention of contamination by foreign materials, including adulterants. Exporters must know the properties of their product and are responsible for quality management, which requires close cooperation with the collectors of the seeds.

PHYSICAL PROPERTIES AND CHEMICAL COMPOSITION

Buyers analyse the physical properties and chemical composition of chiuri butter supplies to verify that the product is pure and that quality of supplies is consistent. Especially in Germany, buyers have very strict quality requirements and allow for little variation from their specifications.

Chiuri seeds are harvested from different areas under different environmental conditions (e.g. climate) and at different times during the year. All these variables have an influence on product quality. Variation in physical properties also means the chemical profile will vary.

TABLE 3: THE TYPICAL CHEMICAL COMPOSITION OF CHIURI BUTTER:

Fatty acid	Percentage of chiuri butter	Saturated/unsaturated
Palmitic acid (C16:1)	50-60%	Saturated
Oleic acid (C18:1)	30-40%	Unsaturated
Linoleic acid (C18:2)	2-10%	Unsaturated
Stearic acid (C18:1)	0-5%	Saturated

TABLE 4: PHYSICAL PROPERTIES OF CHIURI BUTTER:

Physical property	Value
Specific gravity at 30 °C	0.856-862
Refractive index at 40 °C	1.4552-1.4650
Saponification value	190-200 KOH/gr
Iodine value	90-101
Melting point	31-51 °C
R.M.value	0.4-4.3
Titer value	48-52 °C

Source: Wikipedia, 2013

Unrefined chiuri butter has a creamy, pale-yellowish colour. The colour of chiuri butter mainly depends on the right processing of the seeds. However, a lot of chiuri butter for cosmetic applications is refined to remove the colour and odour. Fully refined butter is pure white.

Currently there is no ISO standard nor industry-agreed grading system for chiuri butter.

TIPS:

- Keep facilities and equipment clean to prevent contamination with foreign materials. Produce your chiuri butter with a minimum of impurities. Refer to the [General Principles of Food Hygiene](#) of the Codex Alimentarius for good practices.
- Establish grades for chiuri seeds with strictly defined specifications. Monitor collection practices and prevent mixing of seeds of different grades.
- You can refine the butter yourself or work with a (European) toll refiner. Use modern processing technology to produce a highly refined chiuri butter. The Nepalese company [Satya International](#) can provide links to Indian equipment manufacturers.
- If you produce organic chiuri butter, dedicate your processing plant to only produce organic butter, to avoid contamination from non-organic particles. If you cannot do this, clean your machinery and equipment thoroughly between conventional and organic production.

LABELLING

You must label your products for exports. This mainly serves traceability and safety during transport and storage.

As an exporter, facilitate traceability of individual batches with markings on each container and registration in an administrative system, whether they are produced by blending or not.

Use the English language for labelling unless your buyer has indicated otherwise.

Labels must include the following:

- 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** certified chiuri butter specifically: add Name/code of the inspection body and certification number.

PACKAGING

Prepare bulk chiuri butter for transportation in the following manners:

- 10 or 25 kg plastic-lined cardboard cartons
- 25 kg plastic buckets
- 50 – 200 litre metal or plastic drums
- 900 kg IBC, flexitank or isotanks

Unless sourced sterile from manufacturer, all materials and containers are recommended to be washed with detergent and rinsed thoroughly with clean warm water and dried before use.

Store in tightly sealed containers in cool dry dark place; do not expose to temperatures above 35 °C.

Chiuri seeds can be stored for a maximum of five years with correct conditions, whereas chiuri butter, even refined, should not be stored for more than 3 years.

TIPS:

- Always ask your buyer for their specific packaging requirements.
- Re-use or recycle packaging materials, for example, use containers of recyclable material (e.g. metal).

WHAT COMPETITION DO YOU FACE?

MARKET ENTRY

Accessing the German market with your chiuri butter is not easy. Chiuri butter is a relatively unknown product in Germany. Many buyers don't know about the chiuri butter. And if they do, they are likely to refrain from buying it, as they are not certain that their customers will be interested in the product. Their customers are manufacturers of cosmetics.

If you want to convince a German buyer, you must have extensive knowledge on your product. You need to be able to explain to buyers how to use chiuri butter in terms of potential applications, benefits, processing characteristics and safety.

Market entry is particularly difficult for suppliers of final cosmetics products based on chiuri such as soap and refined chiuri butter. In addition to full compliance with the EU Cosmetics Regulation (including Product Information File) and high quality packaging, requirements for final cosmetics products include short delivery times (usually a few days max), ability to supply small lots (boxes instead of containers) and appointment of a [responsible person in the EU](#).

Although many cosmetics manufacturers are interested in refined butters, importers are often more interested in crude butters. As not all of their customers want refined butter, they prefer to have the option to either supply crude butter or refine the butter in Europe when their customer needs it. Moreover, they often prefer to work with established refiners in Europe who have the required expertise to deliver exactly what they need. Refer to the section on market channels for more information on the role of refiners.

TIPS:

- [Learn how to build a technical dossier](#) with CBI's workbook.
- Information on the chemical profile by (accredited) laboratories of chiuri butter is important to buyers. Work together with a local university department to test your product. They can help determine the chemical profile of the butter to be included in your product documentation.
- Do not underestimate the value of elaborate documentation for successful entry to the German market. Some German buyers work according to higher documentation standards than their peers in other European markets.
- Help buyers to see the application potential of chiuri butter by explaining that chiuri butter shares many similarities with cocoa butter, shea butter and palm oil. Refer to the section below for more details.
- Use the story of soap manufacturing in Nepal to show the history of use.
- See [CBI's 10 tips to find buyers on the European market for natural ingredients for cosmetics](#) to learn how to become more successful in market entry.

PRODUCT COMPETITION

Chiuri butter competes with both established and new ingredients. In the cosmetics market, chiuri butter is a potential substitute for the more established cocoa butter, shea butter and palm oil. They have similar functionality in cosmetics. All these products can serve as emollients in skin conditioning products. Especially in the market for natural and organic cosmetics, manufacturers are interested in substitutes for palm oil. They want to prevent any association of their brand with sustainability issues in the palm oil market, notably destruction of forests.

In niche markets, chiuri butter is a potential substitute for illipe butter, cupuaçu butter and mango butter. Examples of this [body scrub with cupuaçu butter](#), [styling cream with illipe butter](#) and [firming mask with mango butter](#) show how some European manufacturers use and promote these substitutes.

When the functionality of different ingredients is similar, German buyers often make their choice between these ingredients based on price. In 2016, conventional unrefined shea butter was priced at around €1-1.50 euros/kg. Cocoa butter prices fluctuated strongly in the past year. In the beginning of 2017, the price of cocoa butter was around 5 euros/kg. The high price of cocoa butter favours substitution of cocoa butter by shea butter, chiuri butter and other vegetable fats with similar functionality. However, if a manufacturer has already included a particular butter in a cosmetic product (range) and built up its market, they will not likely switch to a new ingredient. They are most willing to substitute expensive ingredients such as cocoa butter when developing a new product (range).

Availability is another criterion for German buyers to choose between different ingredients with similar functionality. Compared to many other substitutes including shea butter, cocoa butter and palm oil, the availability of chiuri butter is low. Only a few Nepalese companies export chiuri butter, whereas hundreds or even thousands of companies export shea butter, cocoa butter and palm oil. Particularly large buyers which sell large quantities of their products through mainstream channels usually refrain from using ingredients with limited availability. Buyers in niche markets are more willing to risk shortages in supplies. This type of buyers actually perceives low availability as a positive aspect, because it makes their product unique.

TIPS:

- Find out how the properties of your chiuri butter differ from the properties of substitutes such as cocoa butter, shea butter and palm oil. Include the differences in your product documentation. For example, the odour of chiuri butter is more neutral than that of cocoa butter.
- Lower the costs of your product by improving the yield of expelling the butter from the seeds. This may require investment in modern technology such as new equipment. You can also consider methods to increase the value of by-products or waste from the processing of raw materials.
- Focus your promotion on the potential for new product development with chiuri butter.

COMPANY COMPETITION

Although India is not yet a significant exporter of chiuri butter, Indian companies might rapidly become major competitors for Nepalese suppliers in the future. When Nepalese suppliers are successful at developing the German market for chiuri butter, Indian companies are likely to become more interested in exploiting their chiuri butter. As their production potential is considerable and India is already a strong exporter of many other natural ingredients such as spices, they can become a formidable competitor to Nepal.

Currently, Nepalese chiuri butter suppliers only compete with suppliers of substitute products from around the world. In the German market, you will particularly face competition from West African producers of shea butter and cocoa butter. Additionally, you will face strong competition from large-scale European companies producing butters from imported raw materials.

To differentiate your company from rivals on the market, you need to find your unique selling point. You can do this with:

- Marketing stories, based on the unique origin and the marketing appeal of the butter's provenance. Ingredients sourced in the Himalaya currently receive a lot of attention.
- Certifications, especially organic. These certifications can help you to target high-end and organic cosmetic brands.
- Corporate Social Responsibility (CSR): because buyers expect you to have some CSR measures in place it is difficult to get a better price for this. This is becoming a basic market requirement.
- A consistent and standardised quality.
- Security of supplies through a reliable supply chain

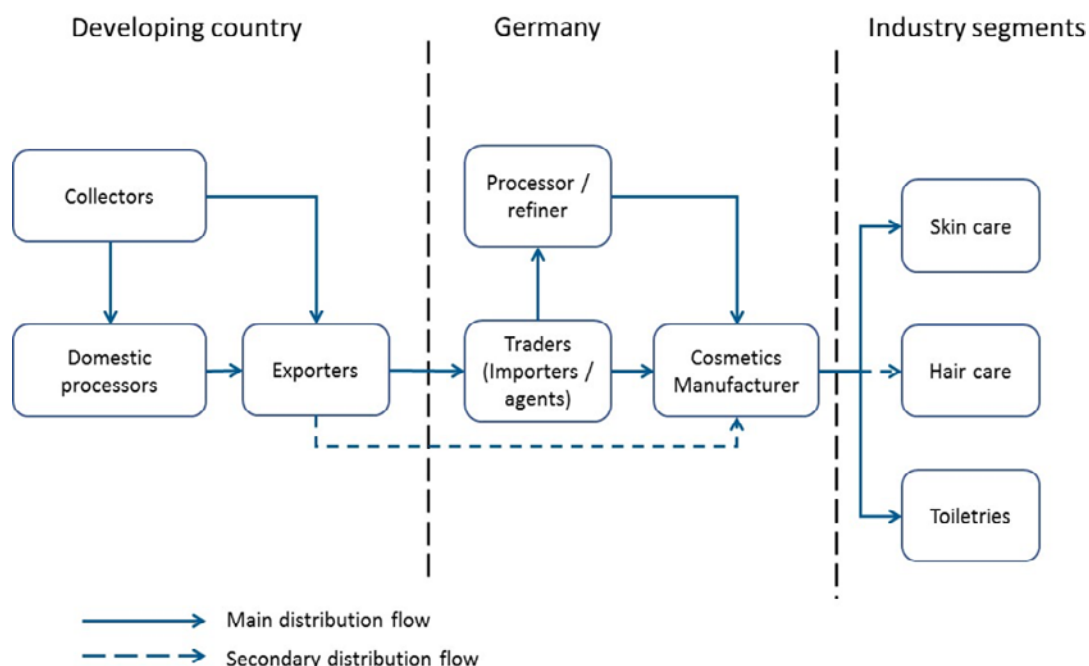
If you can position your chiuri butter as a speciality product, this will give you a competitive advantage.

TIPS:

- Visit or exhibit at [In-Cosmetics](#) (17-19 April 2018, Amsterdam) or [Vivaness at Biofach](#) (14-17 February 2018, Nuremberg) to meet potential buyers in the fragrances, cosmetics and aromatherapy markets, including German buyers.
- Establishment of a sector organisation in Nepal can help to organise resources for research and promotion of chiuri butter as a speciality product.
- See CBI's study on [Competition in the European market for natural ingredients for cosmetics](#) for more information.

MARKET CHANNELS

FIGURE 1: MAJOR MARKET CHANNELS FOR CHIURI BUTTER



German and other European importers are your most important entry point into the German market. They will supply the butter to refiners or directly to cosmetic manufacturers for certain products. As the European Union is a free trade market, there are few barriers to trade between European Union members. Your German importer may supply your product to other companies in Germany or companies in other countries. Similarly, importers in other European countries may supply their products to companies in the same country or German companies.

Most cosmetic producers prefer to use refined butter instead of crude butter. Refining involves removal of odour and colour. This refining commonly takes place in Germany. You can also research if you can refine chiuri butter yourself.

Certain cosmetic manufacturers prefer to use crude butter instead of refined butter. These manufacturers usually have an interest in the specific odour of chiuri butter and do not want to remove this odour. They will accept butter that has undergone a good filtration process.

TIP:

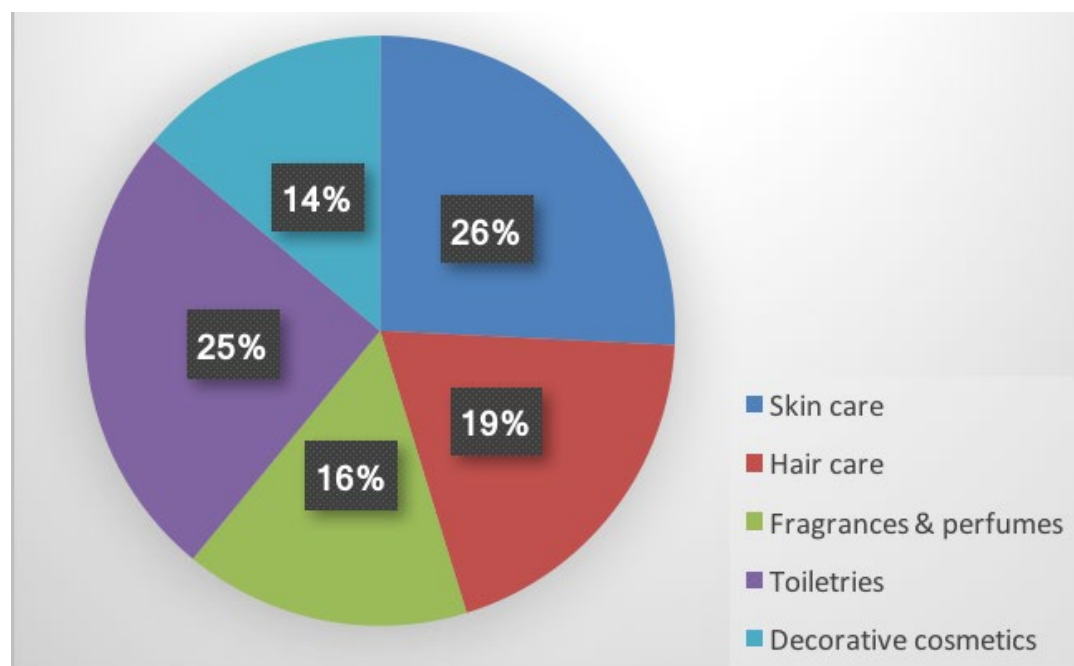
- See [CBI's 10 tips to find buyers on the European market for natural ingredients for cosmetics](#).

MARKET SEGMENTS

The European cosmetic industry has five segments:

- skin care
- hair care
- perfumes and fragrances
- toiletries
- decorative cosmetics

FIGURE 2: MARKET SHARE INDUSTRY SEGMENTS, PERCENTAGE OF 2015 EUROPEAN RETAIL SALES MARKET



Source: Cosmetics Europe, 2017

TIP:

- See table 1 for the applications of chiuri butter in different segments.

NICHE BRANDS VS. BIG BRANDS

More often than big brands, niche brands such as [Officina Naturae](#) and [Cime](#) are trendsetters. Therefore, these can be particularly interesting for suppliers of innovative ingredients such as chiuri butter. They also need lower volumes of ingredients for their cosmetic products, which offers Nepalese suppliers the opportunity to build up their export volumes.

Big cosmetic brands such as L'Oreal and The Body Shop often pick up interesting trends from niche brands. They only become interested after supplies reach scale and they can rely on consistent supply volumes and quality.

TIP:

- Look at the website of a buyer to find out how they profile themselves. If they emphasise the uniqueness of their products and position themselves in a market niche, then you can use that information in your promotion. You can show them how to use the benefits of chiuri butter in their market niche.

WHAT ARE THE END MARKET PRICES?

In 2017, the Free-On-Board price of unrefined chiuri butter was estimated at 8 euros/kg. According to one exporter, they can reduce the price to 3 euros/kg in the future when increasing the scale of production and using modern processing technology.

Compared to prices of substitutes, chiuri butter is still expensive. In 2016, conventional unrefined shea butter was priced at around 1-1.50 euros/kg. In the beginning of 2017, the price of cocoa butter was around 5 euros/kg.

Exact prices of niche vegetable fats such as chiuri butter are generally determined by similar factors as established vegetable oils:

- Grade, certification
- Availability/number of sources
- Cost of refining and losses from refining

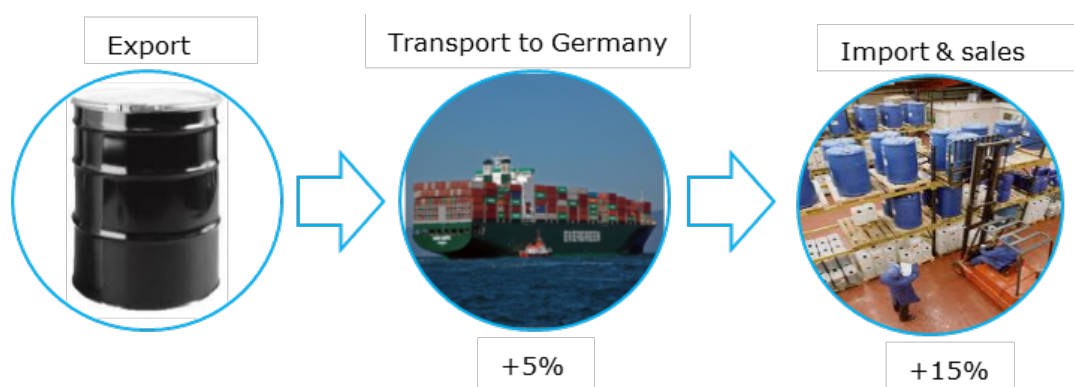
Quality also impacts the price, but it is a subjective factor. You need to comply with legal requirements as a minimum quality. Beyond that, your buyer will decide how they define “high quality”. For example, in terms of composition or properties they are looking for. You need to find a buyer that values what you can offer and that is willing to pay more than other importers.

However, niche vegetable fats belong to the high-end market and command higher market prices than commodity oils. Due to lower availability of sources and supplies, and higher costs in production, buyers are willing to pay higher prices – expecting that quality will also be high. Furthermore, the image of exclusivity, the story of the exotic origin and health benefits contribute to a higher product value. Usually, these dynamics guarantee higher margins for the different chain players.

TIPS:

- 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 create your selling price.
- Enhance your price competitiveness by improving production yields. For example by drying the seeds before extraction, by improving the efficiency of extraction techniques or increasing the scale of production and transporting larger volumes.

FIGURE 3: PRICE BREAKDOWN FOR CHIURI BUTTER IN SMALL LOTS (LESS THAN FULL CONTAINER LOAD), MARK-UPS IN %



Source: ProFound, 2017

If agents are involved, they typically receive a commission of a few (2-5) percent. However, their actual profit margin strongly depends on volumes sold and gross margin. They will normally increase their gross margin for small volumes of less than a Full Container Load.

Importers add an additional margin of up to 100% to the product depending on value adding activities undertaken, such as testing, stocking and refining.

TIP:

- Agents are particularly interesting if you do not have a strong sales network. You can look for commercial agents on the website of the [Federation of German Commercial Agents and Distributors \(CDH\)](#). However, once you have established a trade relationship through an agent, you cannot establish a direct relationship with the buyer anymore. The sales network of the agent is protected by law.

Please review our [disclaimer](#).