

“International Herbal Market – How to identify buyers”

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Of late we find that there is lot of consumer enthusiasm in Herbal products. Our closets seem to be getting occupied with

- 
- Herbal shampoos
 - anti ageing creams
 - Food suppliments
 - vitality products
 - Skin care
 - Digestive remidies
 - Cold & Cough and anti alergics
 - perfumes
 - Decorative cosmoceuticals, etc.
-

From APHRODISIACS to WEIGHT REDUCTION herbal products seem to have forayed into everything.

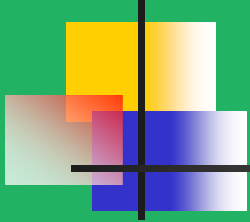
The trend seems to be across globe not only in India. Big names are frequently associated with this industry.



1. L'Oreal	9.9
2. Procter and Gamble	7.5
3. Unilever	5.0
4. Shiseido	3.6
5. Estee Lauder Cos.	3.5
6. Avon Products	2.9
7. Johnson & Johnson	2.7
8. Beiersdorf	2.4
9. Wella	2.3
10. Alberto Culver	1.9
11. Kao Corporation	1.8
12. Limited Brands	1.7
13. Kanebo	1.7
14. Colgate-Palmolive	1.7
15. LVMH	1.5

[World's Top 15 Beauty companies (2003)(Turnover in billion €)]

The main enthusiasm is due to the consumer perception of herbal products as



a) Having no side effects

b) Have Efficacy and

c) Environmental Friendly

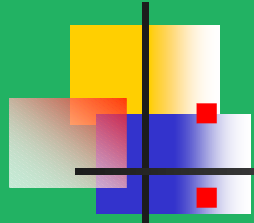
NATURE CARE certainly appeals even at higher consumer spend.

In India the attractive factors are:

- High Consumer population
- Rich Bio-diversity of
 - 10 bio-geographic Zones
 - 25 biotic provinces
 - diverse habitats
 - Over 8000 species in use in traditional medicine

India is a hot destination for FDI in the industry being second biggest source and market.

Govt has been promoting the industry owing to its:



Labour intensive nature

Better growth rate compared to traditional agriculture


- Adoptability of Medicinal & Aromatic Plants to various climates and soils and
- Conservation of ecology.

The market size is estimated to grow to 5 Trillion by 2050 by FRLHT.

Everything seems to be going the right way for the industry.

With these facts in mind we wanted to examine the industry closely.

European Commission directive 65/65/EC defines Herbal Medicinal Products as:



Products raw or processed, wholly made of a single or a combination 2 or more plants with claims to medicinal efficacy ie., cure diseases in humans or Animals.

Thus Cosmetics and Food suppliments are excluded from the above definition. For Eg. Sena pods are dietary suppliments in Belgium

- Further, in European Union most of the countries treat them on par with Medicines. 'Full dossier' is proving Efficacy, Safety and quality for Marketing Authorisation.
- Exemption is given to products having base in literature to file the same for quick approval, however, the literature should clearly evidence clinical test showing S,E & Q.

- In half of the nations such as UK, Germany, etc., they are OTC products and in the remaining they can only be sold through pharmacies.

Telemarketing is prohibited.

~~Same treatment is not given accorded to Domestic and foreign Herbal Manufactures. Domestic Mnfrs are tested only for quality and safety.~~

- Relaxation is given only to those foreign Medicines who have been marketing over the previous atleast 15 years.

However, the above definition is narrow in the sense some animal/insect originating material such as

Bee wax

Fungi

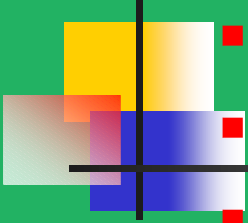
algae or

base oils


nutritional food supplements/dietary supplements etc.,

can not be strictly included in the above definition. Therefore increasingly the names such natural ingredients for Pharmaceuticals, nuetraceuticals, etc., or increasingly heard.

The products can be categorised as:

- 
- Crude Herbs
 - Gums & Resins
 - Essential Oils
 - Phytochemicals
 - Nutraceuticals/Dietary supplements
 - Organic farming products
 - Ayurvedic, Unani, Homeo Medicants & Medicaments
 - Cosmoceuticals
 - Base oils
 - Veterinary products?
-

Research in Herbal Medicine is taking place at three levels:

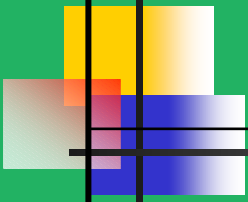
- 
- a) Plant level – patenting of herbal medicines with claims of medicinal value in traditional medicinal systems.

 - b) Identifying active ingredients of phytochemical or
 - c) Identifying the molecule itself

Third is attracting investment in R&D of MNCs and Pharma Cos.

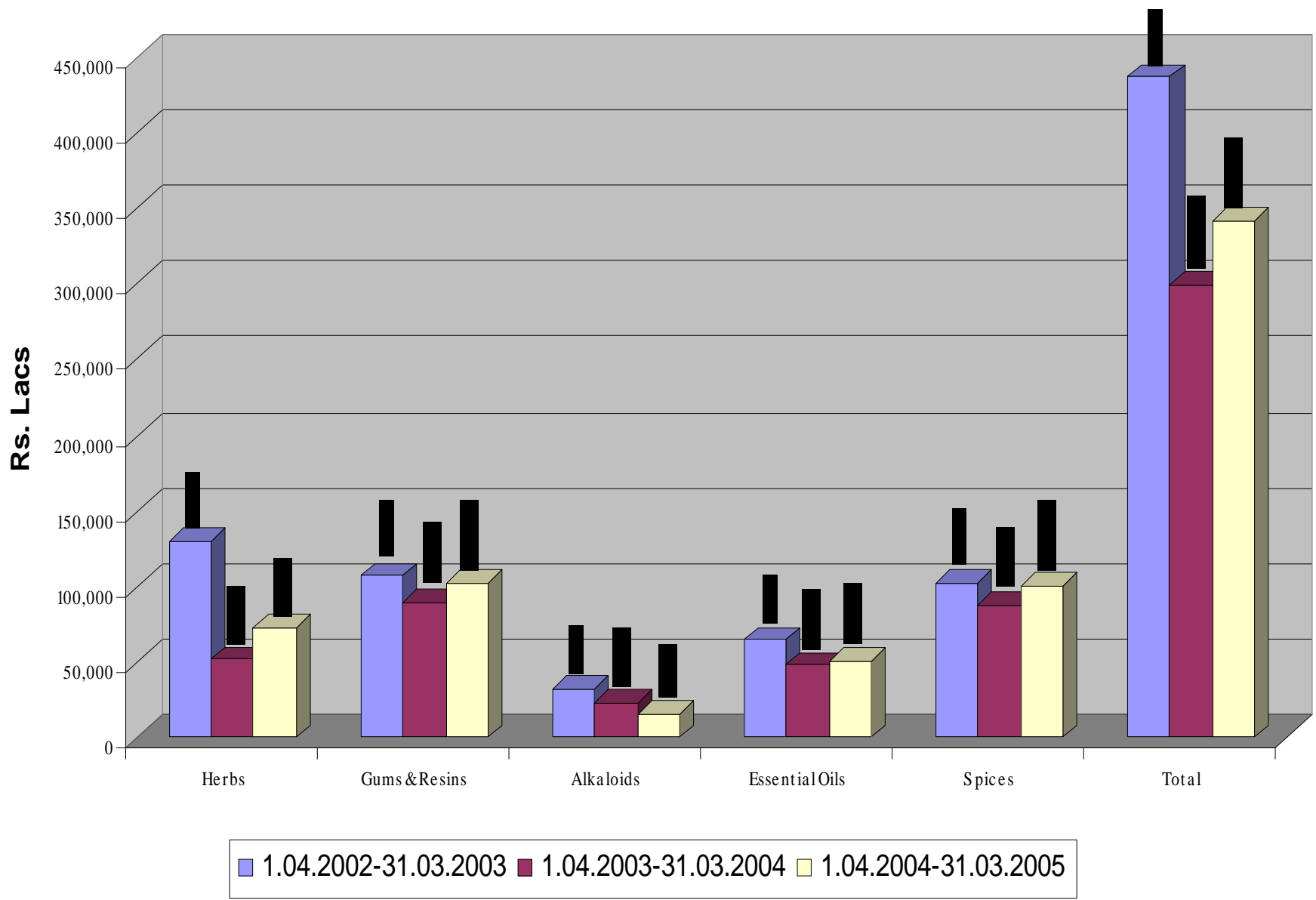
The research covered the first level and took 452 commodities from HS Nomenclature using CMIE data tried to study various groups, commodities and plants in India's trade as also world's trade the summary of which is presented below:

TRENDS IN MEDICINAL & AROMATIC PLANTS

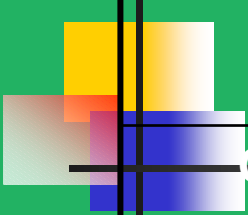


	Val in Rs. Lacs	Val in Rs. Lacs	Val in Rs. Lacs
	1.04.2002- 31.03.2003	1.04.2003- 31.03.2004	1.04.2004- 31.03.2005
Total Value of Imports of Medicinal Plants	122,179	101,504	110,686
Total Value of Exports of Medicinal Plants	436,905	299,363	342,261
Total Trade in Medicinal Plants	559,084	400,867	452,948
Average Growth Rate of Medicinal & Aromatic Plants trade		-28.30	12.99
% Trade in Medicinal Plants in Agriculture & Allied Products trade of India	5%	4%	4%

VALUE-WISE EXPORTS 2002-2005



GROUP-WISE BREAKUP OF EXPORTS OF INDIA



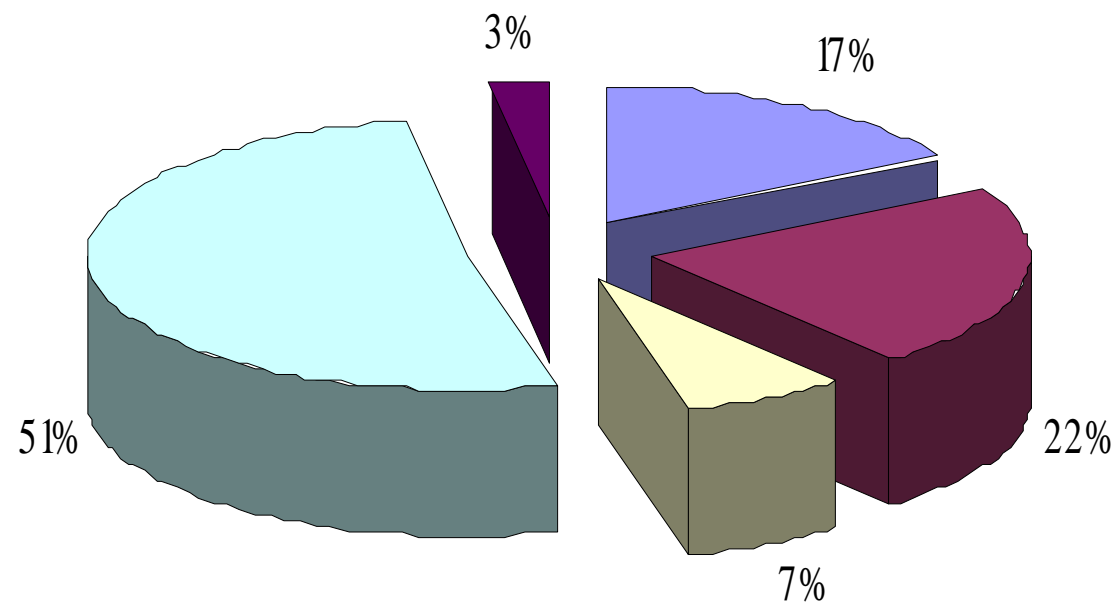
	Val in Rs. Lacs		Val in Rs. Lacs		Val in Rs. Lacs	
Group	1.04.2002- 31.03.2003	% of Total	1.04.2003 - 31.03.200 4	% of Total	1.04.2004 31.03.200 5	% of Total
Herbs	130,685	30	51,655	17	72,681	21
Gums & Resins	106,905	24	89,354	30	102,509	30
Alkaloids	32,019	7	22,571	8	16,151	5
Essential Oils	64,576	15	47,964	16	50,357	15
Spices	102,720	24	87,819	29	100,563	29
Total	436,905	100	299,363	100	342,261	100

GROUPWISE BREAKUP OF WORLD EXPORTS



	2002		2003		2004	
	Val in Millions of US\$	% of Total Trade	Val in Millions of US\$	% of Total Trade	Val in Millions of US\$	% of Total Trade
Herbs	5199.41	17	5363.65	16	5993.99	15
Spices	6768.77	22	7259.41	22	8324	21
Gums & Resins	2079.67	7	2229.18	7	2487.99	6
Essential Oils	15692.31	51	17507.51	53	21477.28	55
Alkaloids	771.43	3	834.54	3	860.82	2
Total	30511.59	100	33194.29	100	39144.08	100
Growth Rate			8.79		17.92	


GROUP-WISE BREAKUP OF WORLD TRADE IN MAPs 2004



■ Herbs ■ Spices ■ Gums & Resins ■ Essential Oils ■ Alkaloids

REGION-WISE IMPORTANCE HERBS OF INDIA'S EXPORTS

(IN RS. Crores)

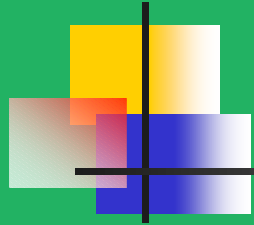


Region	2004-05	% Break-up
Europe	253	35
America	216	30
Asia (excl. Middle East)	166	23

Gums & Resins

REGION	2004-05	% Break-up
America	422	42
Europe	295	29
Asia (excl. Middle East)	231	23

ESSENTIAL OILS

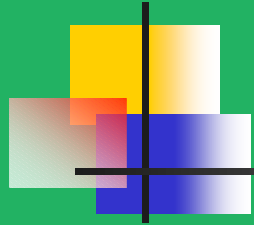


REGION	2004-05	% Break-up
Asia (excl. Middle East)	139	29
Europe	130	27
America	118	24
Africa	46	10
Middle East	46	9

SPICES

Region	2004-05	% Break-up
Asia (excl. Middle East)	411	41
America	236	23
Europe	170	17

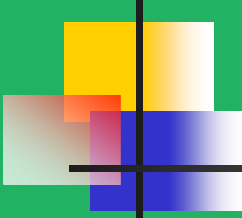
ALKALOIDS



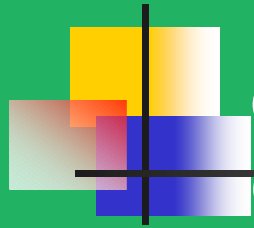
REGION	2004-05	% Break-up
America	67	43
Europe	34	22
Asia (excl. Middle East)	33	21
Africa	13	8

TOP HERBS EXPORTS 2005

All figs. in Rs. Lacs



Medicants of ayurvedic system	28,136.33
Psyllium husk (isobgul husk)	15,400.16
Medicaments of ayurvedic system	10,656.03
Menthol crystal	4,750.51
Senna leaves and pads	2,738.74
Henna powder	2,273.23
Sandal wood chips and dust	1,422.43
Cutch (catechu) extracts	1,031.10
Jajoba seed	853.17
Psyllium seed (isobgul)	801.40
Other derivatives	731.54
Henna leaves	455.82
Betel leaves	423.63
Other betel nuts	333.56
Food colors other than synthetic	257.38



Gambier extracts	231.75
Basil,hyasop,rose mary sage,savory	223.62
Quebracho extract	211.39
Galangal rhizomes & roots incl. greater galanga	181.11
Red sandal wood powdr used in dyeng	165.85
Other soap nuts	164.36
Medicants of homoeopathic system	149.34
Othr crude vegetable matrils, inedible, nes	112.59
Cambodge fruit rind/the dried pericap of the fruits of garcinia cambogia	90.19
Ipecac dried rhizome & roots	85.91
Myrobalan fruit extract	85.58

TOP EXPORTED GUMS & RESINS 2005

All figs. in Rs. Lacs

Guar gum treated & pulverised

42,872

Guar gum refined split

21,450

Other sap/extracts

7,350

Saps & extracts of opium

4,680

Oleoresines of spices n.e.s.,

3,637

Cambodge extract

3,187

Pepper oleoresins


2,144

Guar meal

2,106

Othr mucilags & thickenrs

1,856



Turmeric oleoresins	1,706
Capsicum oleoresines	1,610
Other resins	1,510
Asafetida	1,419
Extracts belladonna	1,214
Karaya gum(indian tragacanth)	907
Othr mucilages thicknrs locust beans	763
Cashew shell liquid (cnsl)	751
Extracts, neem	475
Cnsl (cardanol) purified & distilled	408
Gum arabic	383

TOP ESSENTIAL OIL EXPORTS 2005

All figs. in Rs. Lacs



Agarbatti & othr odoriferous prpns

20,333

Which operate by burning

Others

7,862

Other mixtrs of odorifrs substns n.e.s.

3,645

Synthetic essential oils

2,891

Other resinoids n.e.s.

1,933

Attars of all kinds in fixed oil base

1,336

Aleuritic acid

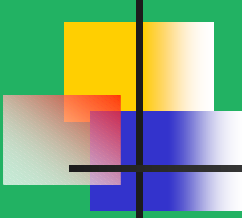
1,171

Sandal wood oil

1,011

Others

937



Spearmint oil (ex-mentha spicata)	915
Other mxtr of aromatic chemicals & essn oil	906
Othr conc of esnl oils in fats/fixd/wax	712
<hr/>	
obtained by cold absorption or maceration	
Jasmin concrete	655
Others	564
Other extracts, essences & concentrates	530
of tea/mate	
Mustard oil aroma	526
Ginger oil	390
Other aqueous solutions of essential oils	353
Essence of ambrettolide (ambrette seed	272
oil essence)	
Other extracts essences & concentrates	269
of coffee	

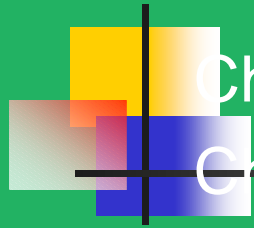
TOP EXPORTED ALKALOIDS

All figs. in Rs. Lacs


Pseudo ephedrine (inn) and its salts	5,041
Other alkaloids of opium & their derivatives, salts	2,661
Caffeine and its salts	1,347
Other glycosides natural/reproduced	1,309
Chloroquine phosphate	1,110
Ephedrine hydrochloride	1,014
Digoxin	1,000
Quinine sulphate	490
Salts and other derivatives of quinine nes	278
Other alkaloids of cinchona & their derivatives	256
Other ephedrine & its salts	256
Ephedrine alkaloids	229

TOP SPICES EXPORTS IN 2005

All figs. in Rs. Lacs



Chilly	29,282
Chilly powder	10,978
Turmeric fresh	5,181
Black pepper garbled	4,622
Turmeric powder	4,097
Turmeric dry	3,430
Crushed or ground pepper	3,392
Vanila bean	2,715
Cumin, other than black	2,507



Fenugreek seed	2,479
Other coriander seeds	2,338
Ginger fresh	2,290
Celery seed	1,972
Cumin black of seed quality	1,901
Ginger dried unbleached	1,839
Cardamoms large(amomum)	1,626
Fennel of seed quality	1,519
Others fresh	1,146
Other pepper not crshd/grnd	1,119
Tamarind dried	1,107

TOP EXPORTED MEDICINAL PLANTS (2005)

Product	Value in Rs. Lacs 2004-2005
Chilly	40,259
Ayurvedic & Unani herbs	38,792
Celery	31,642
Guargum	21,450
Psyllium	16,202
Turmeric	14,436
Pepper	7,687
Ginger	6,149
Cumin	5,273
Spices	5,053
Black pepper	4,843
Menthol	4,751
Opium	4,680
Cambodge	3,277
Cardamom	3,108
Vanila	2,910
Senna	2,739
Henna	2,729

TOP IMPORTED MEDICINAL PLANTS (2005)



Product	Value in Rs. Lacs 2004-2005
Clove	11202.08
Dry Hard Dates	10342.51
Gambier	6701.95
Asafoetida	5373.61
Pepper long	5276.62
Wattle	4764.08
Black pepper	4519.69
Poppy	4425.65
Cardamoms	4383.21
Raisins	4226.28
Medicaments of ayurvedic system	4197.54
Cassia	3331.67
Ginger	3142.68
Betel nut	3116.55
Vanilla	2658.48

Findings & Recommendations



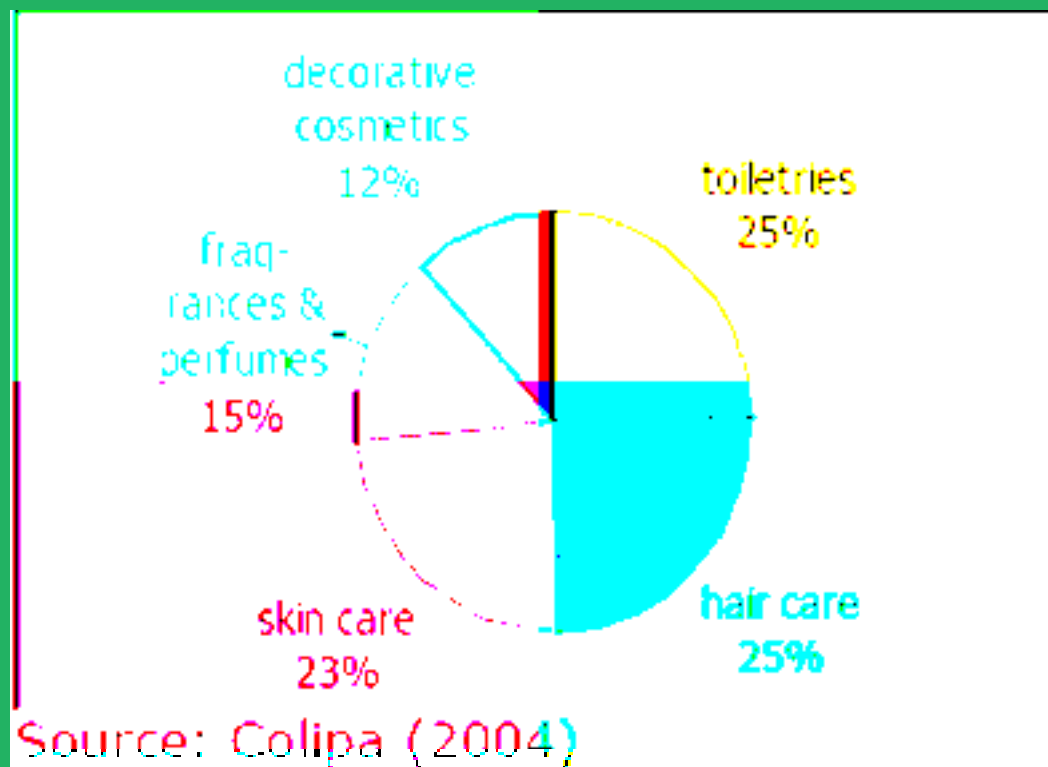
1. There is need to shift into Essential oils, value added products.

~~2. While the industry is promising to attract attention and presence, cautions approach is required for the following reasons:~~

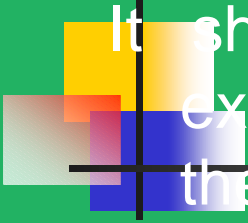
- a) Side effects did manifest by the use of Herbal products in US. (in case of ingested herbal products)
- b) Some Cos. in the past have used broad band antibiotics in cosmoceuticals and green washed them with herbs of no medicinal efficacy. Such activities will lead loss of consumer confidence and damage the industry.
- c) Future is in plants & herbal products having approval of European or American pharmacopia.

Some Essential oils recommended are:

- Jasmine Oil
- Vetiver Oil
- Peanut Oil
- Geranium Oil
- Lemon Oil



TRADE STRUCTURES



It should be noted that previously agents, processors, extractors used to procure, grade, process and brand them before supplying to the manufacturers

Of late the manufacturers are directly procuring them from cultivators and Internet has become powerful medium in this endeavour.

Duties

After reduction of duties under MFN, GSP reductions have become insignificant therefore, duties for Developing countries have further been reduced varying between 0 – 5%. VAT varies from 0 – 15% in different countries.

USEFUL INTERNET SITES



<http://www.cites.org>

<http://www.cosmeticsbusiness.com>

<http://http://dg3.eudra.org>

<http://www.europages.com>

<http://www.fao.org/forestry/FOP/FOPW/NWFP/new/nwfp.htm>

<http://www.ki-online.de>

<http://www.thecosmeticsite.com>

<http://www.greentrade.net>

<http://www.ahpa.org>

- 
- The industry has its own set of problems such as:

- Bio-piracy
 - Bio-conservation
 - SPS restrictions
 - Antidumping, Anti subsidy cases
 - Labeling
 - Child labor free certifications
 - Licensing, etc.,
-

are the challenges being faced by the industry.

The industry is segmented into many plants, commodities, formulations each with small market share and highly fluctuating Year on Year growth rates implying risk. Added to this are variety of brands and competing products.

In spite of all above draw back the outlook seems to be very positive.

TOP SELLING HERBAL PLANTS IN EUROPE

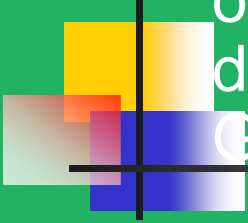
€ million



■ Ginkgo	338
■ Valerian	169
■ Horse Chestnut	141
■ Saw Palmetto	130
■ Bitter Orange Extract	124
■ Garlic	113
■ Hawthorn	79
■ Ginseng	79
■ Psyllium	71
■ Echinacea	68
■ Butcher Broom	68
■ Evening Primrose	62
■ Pygeum	59
■ Melilot	56
■ Grape Seed	51
■ Milk Thistle	45
■ Melissa	37
■ Nettle	34
■ Bilberry	34
■ Chamomile	26

Total

1,778



Today's most of the Pharma Companies' attention is occupied in Production, distribution, R&D and new drug discovery, Clinical research, Patents registration, GMP, GCP, promotion in Domestic Market, etc.

Each Company has found a place or niche in the domestic market.

However, When it comes to exports we should begin by putting the horse before the cart not other way round.

In other words we should produce for the market and not try to market the produce in the international Markets.

For this we need Market Intelligence on Continuous Basis.

To foray in International Market the first prerequisite is to know

Market - Commodity information

- Which country to focus for which commodity?
 - for Exports and for Imports?
- What are the Future prospects & Trends of the commodity & country? Is it growing or decreasing?
- What analysis would improve our understanding - Seasonal nature, Cyclical nature, Revealed comparative advantage (RCA), Nominal Protection Index (NPI), ABC analysis, etc.
- Who are competing countries & the competitors?
- What is their Cost structure (to verify dumping)

B) Licensing procedures and operating costs

- What are customs procedures, licenses, market access issues & Port procedures and their costs (Port to Port)?
- What is the freight and landed price of our commodity?
- What is the competitors landed price?
- Are FTA & PTA agreements of competitor countries with importing country putting us at a disadvantage or advantage?
- Are we competitive?

C) Buyers

- Who are the customers & their Agents
- Traders & Manufacturers, etc.
- What is their network

D) Indian Foreign Trade Policy

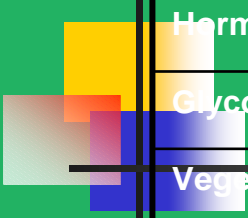
- What are duties on inputs and final products

For example in Medicinal & Aromatic Plant industry
should we focus on :

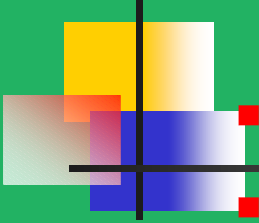


In pharma should we focus on

- Bulk Drugs
- Intermediaries or
- Formulations?
- Medical Equipment?
- Tablets? Capsules? Syrups? or Injectibles?



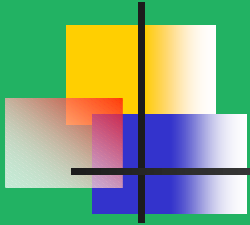
Sulphonamides	Anti histamine medicaments	Anti Septic medicaments
Provitamins & Vitamins	Anti helmentic medicaments	Anti fungal medicaments
Hormones	Anti Filarial Medicaments	Tranquilizers & sedatives
Glycosides	Anti lepotic medicaments	Anti platelets
Vegetable Alkaloids	Cardio – Vascular medicaments	Anti Osteoporosis medicaments
Antibiotics	Cortico Steroid Medicaments	Anti arthritis medicaments
Basic Pharmaceuticals NES	Diuretic medicaments	Anti Hypertension medicaments
Vaccines or Immunological agents	Anti Cancer medicaments	Anti HIV medicaments
Anesthetics (Procanes)	Anti epileptic medicaments	Antacids
Analgesics & Antipyretics	Anti bacterial medicaments other than antibiotics & Sulphonamides	Laxatives
Anti TB Medicaments	Anti-viral medicaments	Anti psychotic medicaments
Ant malaria medicaments	Anti Spasmodic medicaments Anti coagulants	Scabicides/ Antipruritics
Anti dysentery medicaments	Anti emetic medicaments	Anti neoplastic Medicaments
Anti diabetic medicaments	Anti ulcerates	Dietary Supplements
Anti asthmatic medicaments	Anti Parkinson medicaments	Anti Allergy medicaments

- 
- Should we focus on Europe or America for Exports of Amoxicillin or Is it Asia?
 - What is the total trade in Antibiotics?
 - Who is the largest consumer nation of Insulin?
-

The difference between Advanced nations and us that advanced nations devote huge funds for gathering market intelligence.

Fortunately this information is available with us in India.
Some of the information sources are:

1. Trade databases



a) CMIE – India Trades

b) Eurostat

c) PCTASS

d) Comtrade,

e) Jetro

f) WTC

g) IMF Outlook, etc.

2. Price Information Sources

a) Trade Wizard

b) Trade Planner

c) Rate Explorer

3. Buyer Sources

a) Kompass trade Directory

b) Interdata

c) Importer Directories

4. Govt. Agencies

Ministry of Commerce – Annual Reports, FTA, PTA agreements, Policy, Customs Notifications & Incentives such MAI & MDA

- i) DGFT
- ii) National Centre for Trade Information (NCTI)
- iii) India Trade Promotion Organisation (ITPO) (Trade Facilitation Centre) can provide project reports, importer directories, Buyer Network reports, Govt. Publications, Online trade directories, etc.,
- iv) Trade attaches of Indian Embassies abroad – importer addresses, Costing
- v) Trade fair participation, Desk Research, Market Studies, etc., can be sponsored under MAI & MDA. Trade fairs are only useful in a limited way. It can be used for market presence & platform to discuss with interested parties.

5. Websites & B2B websites

- India Trade, India Mart, Alibaba.com, etc.



ROLE OF WEBSITES

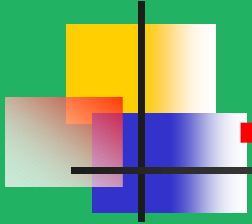
Powerful not Trendy company website can attract customers. It should appear in first 2 pages in search engines

1. Company website needs to be web optimised for Top 10 search engines. 3 Search engines support the remaining 6 search engines. Yahoo, Google & Altavista.
 - a) **Key words, Key search words**
 - b) **Metalinks,**
 - c) **subdomain registration,**
 - d) **sitemap, Link to logo with home page,**
 - e) **Visitor mapping,**

2. Web promotion can help in getting in better hit rates.
Over 1000 B2B websites are there,

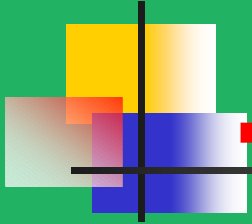
- 
- Free registration can be done.
 - Some provide free web pages.
 - We can post Free Sell & Buy Leads and receive enquiries.
 - Some provide IMPORTERS DIRECTORIES
 - Enquiries can be fetched into common email id for centralised control or magic wand in browsers, Autofill can be used
 - There are industry wise, Country-wise, National & International B2B websites. National Websites are not particularly popular with importers.
 - In fact most B2B Platforms offer Silver Card, Gold Card premium memberships which are useful to some extent

ONLINE MARKETING



- Outlook, Mozilla – mailing clients, Opera, Firefox – web browsers, yahoo & other messengers, can help us group our customers, send bulk mail, stay in eye contact, alert immediately & enable us to respond immediately to enquiries.
- Further, staying in touch through emailers, Newsletters, greetings, is also vital.
 - Online Marketing software packages are available with Yahoo-Small Business, Intellicontact.com, etc., which will help us in sending Newsletters, Product updates, Online Surveys, Mass Mails in HTML, Text formats. Online questionnaires can be built.
 - Mass Mailing Software such as Atomic Mail sender.

Email Extractors



- Mail Extracting Software such as Fast Mail Extractor can extract mail ids from Word, Excel files, Folders, Hard Disk, CDs and Even websites. Extractors can be used to get buyer email ids from Industry websites. They visit all the pages and their links to specified depths to do this. Some websites have anti email extractor defenses.
- Mail verifiers can verify DNS, threads, typos, etc., and eliminate duplicate mail ids.
- Same day response to enquiries is vital in Exports. Individually the websites may not be of much use but collectively they can result in business. Lot of fake & deceptive mails are initial hazards.

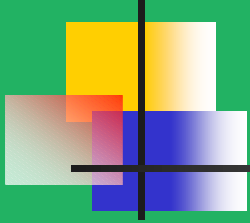
PHARMA AT A GLANCE



Year	Exports	Imports	Total
India's Trade (2005 -06)			
in INR	21,579.0	4,515.2	26,094.2
% change	20.84%	42.47%	

TOP 15 EXPORTED CHAPTER 30 PHARM PRODUCTS

- Amoxycillin in capsules, injections etc.
- Other anthelmintics drugs;antiamoebic and other antiprotozoal/antifungal drugs
- Cimetidine, rantidine, nizatidine and r roxatidine
- Other amino acid/ protein prepn.with / without vitamins,spirulina & the like.
- Medicaments of ayurvedic system
- Insulin injection
- Ciprofloxacin- in capsul,tblts form etc
- Ampicilline in capsules, injections etc.
- Cefazolin
- Other macrolide
- Pancreatin & dried powder of pancreas
- Other antinistaninics ,antacids,antiulcer,antiemitics & other gastrointestinal drugs
- Ciprofloxacin(fluoroquinolones)
- Metronidazole - formulations single and in combination with furazolidone and diloxanide furoate
- Verapamil, nifedipine, amlodipine and lacidipine



THANK YOU...

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