Cosmetic & Toiletry Chemicals

Industry Study with Forecasts for 2016 & 2021

Study #2865 | April 2012 | $4900 | 364 pages
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$4900
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US demand to grow nearly 5% per year through 2016

US demand for cosmetic and toiletry chemicals is forecast to rise 4.9 percent per year to $9.4 billion in 2016. Gains will be aided by healthy increases in sales of cosmetic and toiletry products, particularly those appealing to baby boomers, who favor products with active ingredients to reduce the signs of aging; and to consumers who prefer that their personal care products be sourced from renewable and natural materials. These product types are typically more costly than inactive or synthetic materials, which will boost dollar gains.

Botanical extracts to exhibit fastest gains

Botanical extracts are expected to post the most rapid gains in demand among cosmetic and toiletry chemicals through 2016. These advances will reflect the favorable natural profile of extracts, which many consumers perceive as being more healthful and beneficial than synthetic chemicals. Traditional materials, such as petroleum-based oils and waxes, will register limited gains going forward as consumers increasingly prefer products formulated with recognizable ingredients, such as those they may find in their own kitchens (e.g., essential oils, aloe vera). In addition to natural ingredient content, consumers also increasingly expect dramatic, visible results from such products as anti-aging cosmetics and toiletries, driving demand for active ingredients such as enzymes and amino acids.

Emollients, moisturizing agents, specialty additives to grow most rapidly

High value raw materials with mass consumer appeal -- such as exotic essential oils sourced from various global locations -- are being increasingly utilized to invigorate sales. Many of these products also benefit from the perception that they are less irritating and more gentle than commodity chemicals. Emollients and moisturizing agents, and specialty additives will see the fastest growth in demand through 2016, as consumers expect higher performance from their toiletries. Active ingredients in particular will see above average gains among specialty additives.

Several consumer segments, historically under-served or not directly served by available personal care items, are seeing more targeted formulations designed for their specific needs. For example, men’s products are a niche poised for rapid growth over the coming years, as society slowly lifts the taboo of male grooming with multifunctional toiletries (e.g., body wash that also serves as shaving gel). Ethnic markets have already begun to experience large growth as cosmetics and shampoos formulated for African Americans, Asian Americans, and Hispanics have entered the market. Younger and older consumers are also seeing more products geared toward their developmental physiology -- such as face soaps for adolescents and anti-wrinkle creams for those older in years.
Sample Text, Table & Chart

FUNCTIONS

Preservatives

Demand for preservatives in cosmetics and toiletries is forecast to grow 3.5 percent per year to $226 million in 2016. Growth of new products, preservatives offering broader spectrum antimicrobial activity and increased efficiency, and with higher demand, increased requirements for natural preservatives will contribute to demand, as these systems promise to stimulate demand, as these systems continue to slow the introduction of new products. Restricting further gains will be the high cost of product development and registration which continues to slow the introduction of new products. Poor public perception of preservatives, despite their obvious necessity, will also limit gains. Another restraining factor is manufacturers' efforts to reduce the level of preservatives due to the potential for skin irritation, and to limit the number of preservatives listed on product labels.

Most cosmetic and toiletry product formulations incorporate preservatives at loading rates of one percent or less, with fat- and water-based products generally requiring higher loadings than powder-based products due to their higher susceptibility to bacterial growth and spoilage. The growing popularity of botanical ingredients increases the need for preservatives, as these ingredients are especially vulnerable to contamination by bacteria during production or attack by microbes while in the formulation itself. Although antimicrobial agents and other preservatives account for only a small portion of the total weight of the finished product, the selection, incorporation, and loading levels of preservatives is vital to the safety, shelf life, and performance of the finished product. For instance, while a mascara product may only contain 0.5 percent or less preservatives by weight, it may use four or five different preservatives (e.g., methyl paraben, ethyl paraben, propyl paraben, and other standard or proprietary preservatives) to achieve a desired effect. While it forces a manufacturer to list all of these ingredients on the product label, it allows for greater protection against a wider range of microbes.

<table>
<thead>
<tr>
<th>TABLE III-2</th>
</tr>
</thead>
<tbody>
<tr>
<td>SURFACTANT DEMAND IN COSMETICS &amp; TOILETRIES</td>
</tr>
<tr>
<td>(million dollars)</td>
</tr>
<tr>
<td>Item</td>
</tr>
<tr>
<td>Cosmetic &amp; Toiletry Shpts (mil 2005$)</td>
</tr>
<tr>
<td>lb surfactants/000$ C&amp;T</td>
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<tr>
<td>Surfactant Demand (mil lb)</td>
</tr>
<tr>
<td>$/lb</td>
</tr>
<tr>
<td>Surfactant Demand</td>
</tr>
<tr>
<td>Anionic</td>
</tr>
<tr>
<td>Cationic</td>
</tr>
<tr>
<td>Nonionic</td>
</tr>
<tr>
<td>Amphoteric</td>
</tr>
<tr>
<td>% surfactants</td>
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</table>

<table>
<thead>
<tr>
<th>CHART VI-1</th>
</tr>
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<tbody>
<tr>
<td>US COSMETIC &amp; TOILETRY CHEMICAL MARKET SHARE</td>
</tr>
<tr>
<td>($7.4 billion, 2011)</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
Sample Profile, Table & Forecast

Terry Laboratories Incorporated
7005 Technology Drive
Melbourne, FL 32904
321-259-1630
http://www.terrylabs.com

Annual Sales: $5 million (estimated)
Employment: 25 (estimated)
Key Products: aloe vera gel concentrates, powders, and specialty products; and shea butter

Terry Laboratories is a manufacturer of aloe vera-based products. The privately held company distributes these products in more than 60 countries.

The Company participates in the US cosmetic and toiletry chemicals industry via the production of aloe vera gels, concentrates, oil extracts, powders, and specialty products. Terry Laboratories reports that it is the world’s largest manufacturer of aloe vera extracts and concentrates.

Terry Laboratories’ aloe vera gels comprise single-strength types, while concentrates are made in liquid and whole-leaf varieties. The Company sells aloe vera powders in TERRA-PURE non-preserved, TERRA-SPRAY spray-dried, and TERRA-DRY freeze-dried types. Among Terry Laboratories’ specialty products are SHEALOE aloe vera and shea butter blends and ALOE-MOIST blends of glycerin and aloe vera. A number of the Company’s aloe vera products are certified organic by the US Department of Agriculture (USDA). These products can be used in the production of cosmetics and toiletries, health and beauty aids, industrial soaps, detergents, textiles, and latex gloves.

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TABLE V-3
SKIN CARE PRODUCT CHEMICAL DEMAND
(million dollars)

<table>
<thead>
<tr>
<th>Item</th>
<th>2001</th>
<th>2006</th>
<th>2011</th>
<th>2016</th>
<th>2021</th>
</tr>
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<tr>
<td>Skin Care Product Shipments $ chemicals/$ skin care product</td>
<td>6550</td>
<td>7370</td>
<td>8640</td>
<td>9640</td>
<td>10510</td>
</tr>
<tr>
<td>Skin Care Product Chemical Demand Emollients &amp; Moisturizing Agents</td>
<td>1115</td>
<td>1684</td>
<td>2204</td>
<td>2916</td>
<td>3760</td>
</tr>
<tr>
<td>Fragrances &amp; Flavors</td>
<td></td>
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<td></td>
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<tr>
<td>Active Ingredients</td>
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<tr>
<td>Cleansing Agents &amp; Foamers</td>
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<tr>
<td>Conditioning Agents</td>
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<td></td>
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<tr>
<td>Other</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>% skin care products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cosmetic/Toiletry Chemical Demand</td>
<td>4314</td>
<td>5842</td>
<td>7436</td>
<td>9440</td>
<td>11700</td>
</tr>
</tbody>
</table>

“Demand for chemicals used in the formulation of skin care products is forecast to increase 5.8 percent annually to $2.9 billion in 2016. The skin care market will see above average chemical demand growth, largely due to healthy expansion in the over-55 population, which is fueling rapid sales of skin creams and lotions, and serums, as well as non-drying skin cleansers, and higher requirements for therapeutic and other value added actives.” --Section V, pg. 189
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