

# A PRACTICAL GUIDE TO PRODUCTION AND COMMERCIALIZATION

Forest-based Cosmetics



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## Introduction



The global cosmetics market has been, for at least 10 years, becoming more and more interested in the Amazon, due to the unique and diverse properties that can be obtained from forest-based inputs. Fixed oils, essences, butters and exfoliators, derived from trees, bush, herbs, vines, seeds, barks, and others, are already contained in the formulations of cosmetic products of brands such as Natura, Aveda and L’Oreal.

With the purpose of supporting the development of the region’s cosmetics production chain, the SEBRAEs (Brazilian Support Service for Small and Micro Businesses) of the northern states of Brazil have started the Cosmetic Structuring Project in order to raise awareness about the limiting aspects of the cosmetics chain in the Amazon, making possible the decision-making necessary for strategic action. The main objective of the project is the development of normative, technological and market knowledge regarding sustainable and productive business opportunities for the forest-based cosmetics chain in the Amazon.

The project meets the mission of SEBRAE, which is to enhance the competitiveness and sustainable development of micro and small companies, besides promoting entrepreneurship in the region it is established.



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# A PRACTICAL GUIDE TO PRODUCTION AND COMMERCIALIZATION

## About the Guide

The companies that produce the inputs and finished products of Personal Care, Fragrance and Cosmetics (PCFC) are subject to various sector-related specificities in regard to production, regulation and taxation. Also, regarding forest-based cosmetics, there are other complications in the use of biodiversity inputs.

This Practical Guide to Production and Commercialization was elaborated with the purpose of supporting the companies and manufacturers of cosmetics from the North of Brazil in their path toward strengthening their businesses and achieving regional development.

This document does not intend to be a primer book, with a step-by-step of how to start a business or how to make a business grow; instead, it tries to bring together the main references for business success and principle information regarding legal, productive and commercial aspects for the local industry of PCFC.

## The Guide consists of the following:

**01** **The PCFC Market:** Overview of the market, explaining the global and national figures.

**02** **PCFC value chain in the Amazon:** Seeking to contextualize the main links of production and commercialization of cosmetics in the region. The scheme identifies the main players and their overall performance.

**03** **National Regulation:**  
The main information relating to national laws that regulate the industry, such as:  
a) Definitions;  
b) Regulations and necessary registries;  
c) Good Manufacturing Practices;  
d) Obligations, prohibitions restrictions and certifications.

**04** **Taxation of the PCFC Sector:**  
The main taxes applied to the sector, pointing to different tax benefits that can be given to companies operating in the North.

**05** **Export of PCFC products:**  
Important aspects related to export are presented, including the main legislative requirements of the United States and the European Union.

**06** **How to add value to your product:**  
Business tips to boost quality and increase business competitiveness in the region.

**07** **The culture of cooperation as a competitive advantage for companies:**  
Important topics on how the businesses can work together.

**08** **Cooperativism as a means of boosting extractive communities**  
Unity builds strength and, bearing that in mind, important topics are presented on how communities can work together.

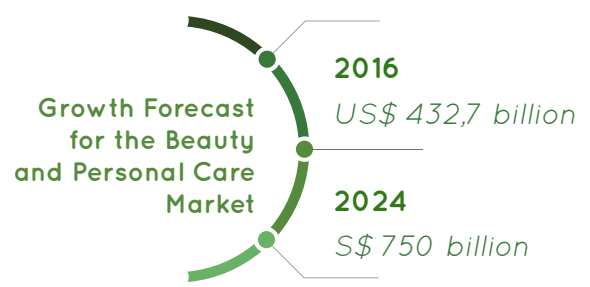


01

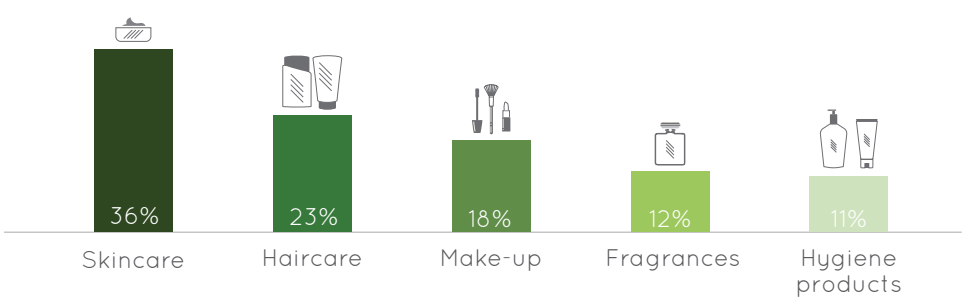
## The PCFC market

In this supply-driven market, growth and leadership of the PCFC sector is strongly spurred by innovation, quality, and the perceived results the final consumer has of the products.

With a highly dynamic profile, a series of constant innovations and the launch of new products contributed to the sector in maintaining an average annual growth of 3.8% between 2007 and 2016.



Source: Inkwood Research (2017)



Source: L'Oréal Annual Report 2016.

In relation to the global market, Brazil appears to be between third and fourth place, competing for the position with Japan and losing only to the United States and China as major cosmetic markets.

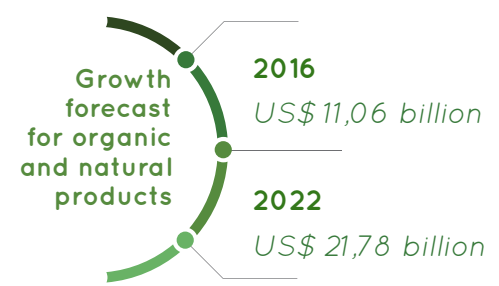
**With recent growth rates between 5% and 10%, the economic crisis faced in Brazil has affected the cosmetics industry in the country with less impact than other sectors.**

In a scenario of changing consumer profiles, there is growing concern about the potential harms of inputs used by the cosmetics industry.

In this context, natural products stand out as having increasing demand from both national and global consumers who care about the effects that synthetic products can cause to their own body and the environment.

Therefore, the chemistry used in cosmetics is evolving to reduce the impacts of released substances. Additionally, the market for natural raw materials continues to offer the best active ingredients to functional cosmetics, which also benefits the input segment of the market.

**There is no place in the world that has more animal and plant species than the Amazon. The rich flora and fauna make up approximately 30.000 species, or 10% of all plants of the entire planet!**



02

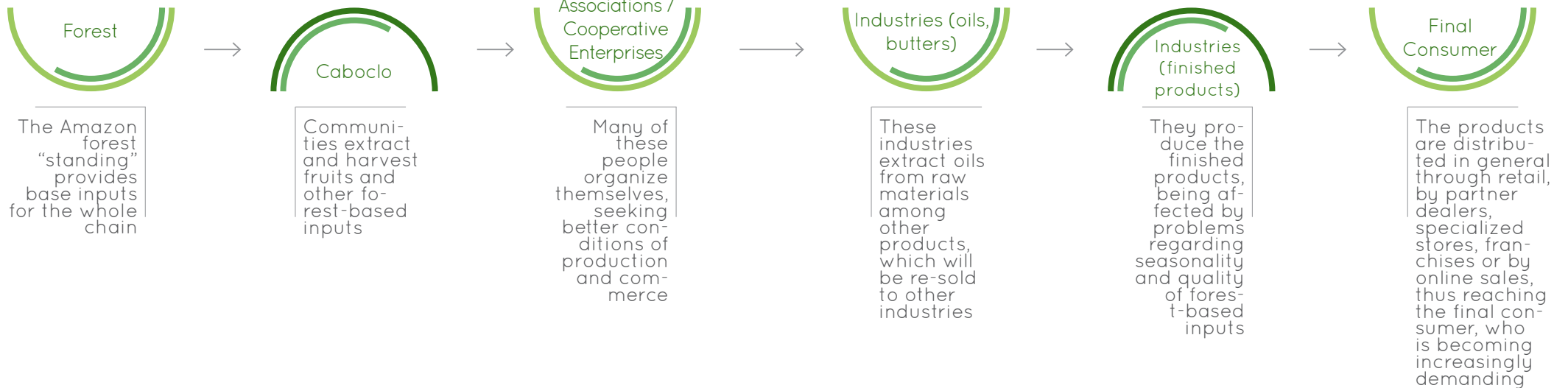
PCFC Value Chain in Amazon



The three spheres of government (federal, state and municipal) regulate both tax and legislative aspects of PCFC companies



Some other agencies regulate production specifications, aiming at standardization of the sector. The most important one is ANVISA





## National Regulation

### WHAT ARE COSMETIC PRODUCTS?

*Definition given by RDC 7/2015*

They are preparations made of natural or synthetic substances, for external use in the various parts of the human body, skin, capillary system, nails, lips, external genitals, teeth and mucous membranes of the oral cavity, with the sole or main purpose of cleaning them, perfuming them, changing their appearance, and or correcting body odors, and either protecting them or keeping them in good condition.

#### Classification

##### Grade 1

They are characterized by having basic or elementary properties, for which it is not initially necessary to provide proof, and do not require detailed information on how to use the product and its restrictions on use due to the intrinsic characteristics of the product.

##### Grade 2

They have specific indications, whose characteristics require proof of safety and/or effectiveness, as well as information and precautions, how to use and restrictions of use.

### Are you in doubt about the grade of your product?

The RDC 7/2015 presents lists that indicate the grade of each cosmetic product. For more information, see: [http://portal.anvisa.gov.br/documents/10181/2867685/RDC\\_07\\_2015\\_.pdf/](http://portal.anvisa.gov.br/documents/10181/2867685/RDC_07_2015_.pdf/)

#### LAW Nº 6360/76:

*The law that regulates the finished cosmetic products. It establishes rules regarding the sanitary surveillance of those products.*

This law establishes that companies may only extract, produce, manufacture, transform, synthesize, purify, fractionate, pack, re-package, import, export, store or ship cosmetic products, if those companies have been authorized by the Ministry of Health and their establishments have been licensed by the sanitary body of the local Federative Units.

#### Regulatory agencies

**The Brazilian Health Regulatory Agency (ANVISA)** executes, at the national level, the sanitary control of the production and consumption of cosmetic products.

The cosmetics sector is regulated by means of Ordinances, Resolutions of the Board of Directors (RDC), Technical Documents and Guides that consider more specific subjects, such as Good Practices for the Fabrication of PCFC Products and criteria for the labeling of products, among others.

At the local level, the states and municipalities have their own **Health Regulatory agencies (Visa)**, which executes health surveillance according to the specificities of each region.

# 3.1

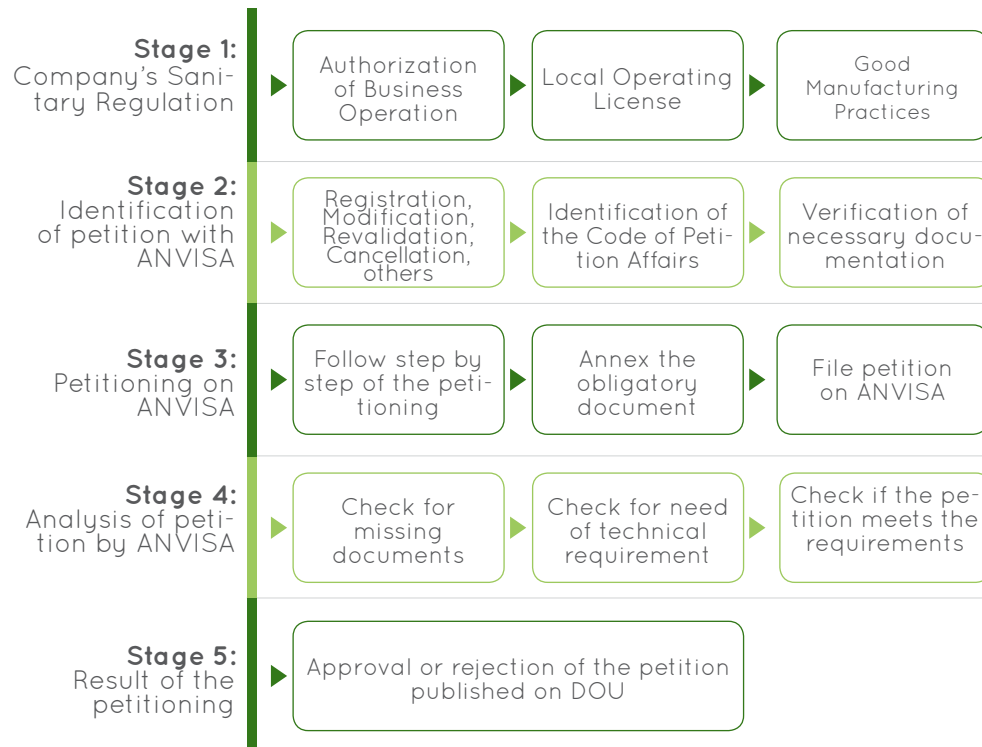
## Company's Sanitary Regulation



## Product's Regulation

Prior to commercialization, personal hygiene products, cosmetics and fragrances, Grade 1 and Grade 2, need to be regularized by electronic procedure with ANVISA. However, there is a difference in the form of regularization of these products. ANVISA has determined that Grade 2 products listed in Annex VIII, RDC 7/2015, must also follow a Registration procedure. The other products are exempt from registration, but they must be submitted to a prior communication procedure with ANVISA.

- Step 1**  
The authorization of Business Operation (AFE) is the first step to starting the business; the technical opinion of the Sanitary Health Agency about the enterprise that will perform the desired activity is mandatory.
- Step 2**  
The company must acquire the Local Operating License (LF) from its local Sanitary Agency (Visa).
- Step 3**  
Once the LF is obtained, the cosmetics producer must adapt its manufacturing procedures to the Good Manufacturing Practices (GMP).



### Documentation necessary to registry a national product:

1. Petition Form completed
2. Proof of payment, or exemption, of the Health Sanitary Agency Fee (TFVS);
3. Technical Product Data Form;
4. Complementary Product Data Form;
5. Final Label, in Portuguese with all phrases legible;
6. Statement of responsibility, signed by the Legal Representative and Technical Officer, filled in with the name of the product;
7. General Data of the company;
8. Efficiency Tests.

### List of Grade 2 Products subject to Registration:

1. Products for children;
2. Sun protection and tan activators;
3. Hair straighteners and relaxers;
4. Insect Repellents;
5. Antiseptic gels for hands.

### Important:

- The need to submit innovative products, not yet regulated, to the registration procedure will be established in a differentiated regulation;
- It is necessary to pay a fee to regularize the product, even those exempt from registration.

### Are you interested in starting a company in the Cosmetic sector?

The ABIHPEC Primer, "How to open a Company of Personal Care, Fragrance and Cosmetics Products: Regulatory Aspects", points out 25 steps to initiate the process of opening companies in the sector. It can be accessed here: <http://www.abihpec.org.br/novo/wp-content/uploads/2011/09/CARTILHA-COMO-ABRIR-UMA-EMPRESA-HPPC.pdf>



3.2

## Good Manufacturing Practices of Personal Care, Fragrance and Cosmetic Products



With the purpose of establishing minimum requirements necessary for cosmetic manufacturers regarding the manufacturing, packaging, storage and quality control of cosmetic products, ANVISA approved the Technical Regulation of Good Practices of Manufacturing for Personal Care, Cosmetics and Perfume, known as RDC No. 48/2013.

This resolution determines the procedures and practices that the manufacturer shall apply to ensure that the facilities, methods, processes, systems and controls used for the manufacture of personal care products, cosmetics and fragrances are adequate to ensure the quality of such products.

**PAY ATTENTION!**

*Failure to comply or to obey the provisions of this resolution constitutes an infraction of sanitary law No. 6437 / 1977, subjecting the offender to the penalties provided in that law.*

To have more information about this regulation, go to: [http://bvsmms.saude.gov.br/bvs/saudelegis/anvisa/2013/rdc0048\\_25\\_10\\_2013.pdf](http://bvsmms.saude.gov.br/bvs/saudelegis/anvisa/2013/rdc0048_25_10_2013.pdf)

**List of substances**

Cosmetic products are subject to restrictions in their chemical formulation and substances, as established by ANVISA.

nº38/2011 nº3/2012	nº29/2012 nº44/2012	nº15/2013 nº69/2016
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**Labeling**

ANVISA establishes criteria for the labeling of cosmetic products in order to determine what information needs to appear on the product labels. Among those criteria, the labeling of personal care products, cosmetics and fragrances must not contain either therapeutic indications and descriptions, or names or indications that could induce mistakes, deception or confusion as to their origin, composition, purpose or safety.

nº38/2001 nº13/2003	nº30/2012 nº19/2013	nº15/2015 Portaria nº1.480/1990
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**Cosmetics for children:**

The cosmetics designed for children must be registered with ANVISA. These products are made according to the characteristics of children's skin, with some restrictions on ingredients.

nº3/2012	nº29/2012	nº15/2015
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**Certifications**

Some certifications, which are acquired by ANVISA, are necessary for the production and commercialization of cosmetic products, whether in national territory or abroad:

- National Free Trade Certificate (CVL)
- Export Certificate
- Certificate for Import
- Good Manufacturing Practices Certificate (GMP)

### 3.3

## Legislation on the extraction of forest-based inputs

The activity of plant harvesting, such as the collection of seeds and fruits that will be used as inputs for the forest-based cosmetics industry of the Northern Region, is regulated in Brazil by law N° 12.727/2012.

This law provides for the protection of native vegetation. Among the items of the law, there is an instruction regarding the exploitation of native forests with or without commercial purpose.



### Legal Reserve Sustainable management of forest vegetation

#### Collect

The collection of non-timber forest products, such as fruits, vines, leaves and seeds is free, but it is necessary to observe certain aspects, such as:

- Collection periods and volumes according to specific regulations;
- Time of maturation of fruits and seeds;
- Techniques that do not jeopardize the survival of individuals and of the species collected in the case of collection of flowers, leaves, barks, oils, resins, lianas, bulbs, bamboos and roots.

#### Management

The sustainable forest management of the legal reserve vegetation for commercial purposes depends on the authorization of the competent agency and must comply with the following guidelines:

- Do not de-characterize the vegetation cover and do not harm the conservation of the native vegetation of the area;
- Ensure the maintenance of species diversity;
- Conduct the management of exotic species by adopting measures that favor the regeneration of native species.



### Forest exploitation

In order to exploit native forests and successive formations, it is necessary to obtain the prior **approval of a Sustainable Forest Management Plan (PMFS)** granted by a competent agency of the National Environmental System (SISNAMA). The PMFS should include techniques of conduction, exploration, forest restoration and management compatible with diverse forest ecosystems. PMFS approval grants the necessary environmental license for the practice of sustainable forest management without having to follow the other stages of environmental licensing.

#### Both companies and people may use forest-based raw materials only when they are originated from:

- Planted forests;
- PMFS of native forest approved by the competent SISNAMA agency;
- Suppression of native vegetation authorized by the competent SISNAMA agency;
- Other forms of forest biomass defined by the competent agency of SISNAMA.

**Note:** Companies and people that use forest-based raw materials originating from suppression of native vegetation or who have authorization to suppress native vegetation are obliged to replant those areas. However, this obligation does not apply to those who use:

- Offcuts, shavings, chips or other waste from industrial activities;
- Forest raw material from PMFS, planted or non-timber forest.

#### In which cases it is not required to have a PMFS?

- When the practices of collection and management described in the section on sustainable management of forest vegetation are followed;
- When forests and successive formations are suppressed to carry out alternative use of the soil
- When there is management and exploitation of planted forests located outside the Permanent Preservation Areas and Legal Reserve;
- When there is non-commercial forest exploitation within rural properties or by traditional populations.

**Companies that use a large amount of forest raw material are required to prepare and implement a Sustainable Supply Plan (PSS), to be submitted to the approval of the competent SISNAMA agency.**

## 3.4 New Legal Framework on Access to Genetic Heritage and Associated Traditional Knowledge

### What has changed?

#### ► Access to genetic heritage:

In order to request authorization to exploit biodiversity, national organizations must make a simplified registration online in the SisGen system.



#### ► Payment for exploitation:

Companies must pay from 0.1% to 1% of the annual net revenue obtained from the economic exploitation of products created from material of Brazilian biodiversity. The money is allocated to the National Benefit Sharing Fund.

#### ► Traditional communities:

Communities have the right to participate in decision-making related to the conservation and sustainable use of their traditional knowledge. Prior consent from those communities is also required for the economic exploitation of their knowledge.

#### ► Payment methods:

The benefits obtained from the exploitation of traditional knowledge can be paid in cash or in “non-monetary” actions, such as investments in conservation projects, transfer of technologies, training of human resources or sustainable use of biodiversity. Microenterprises, small businesses, individual microentrepreneurs and agricultural cooperatives are exempt from paying for the economic exploitation of genetic patrimony of species found in Brazil.

#### ► Exemption from infractions:

Sanctions applied due to biopiracy, following the previous law, were amnestied as of the signing of the New Legal Framework.

#### ► The sharing of benefits:

Indigenous people and traditional communities only receive benefit from the National Benefit Sharing Fund when their knowledge is considered as the main element of value added to the product.

## 04 Taxation of the Sector

When it comes to taxation, you have to be very aware of the taxes that can complicate the finances of your business! The main taxes that affect the cosmetic production chain are divided between state and federal taxes.

**State taxes:** ICMS, ICMS Substituição Tributária and FECOEP

**Federal taxes:** IPI, PIS and COFINS, Imposto de Renda (IR) and Contribuição Social sobre o Lucro Líquido (CSLL)

The table below summarised how much tax is inflicted on the price of cosmetic products in the states of the Northern Region regarding internal operations, without considering tax incentives.

	 Acre	 Amazonas	 Amapá	 Pará	 Rondônia	 Roraima	 Tocantins
IPI (%)	4,12	0,00	4,12	4,12	4,12	4,12	4,12
ICMS (%)	11,88	8,73	4,84	6,63	14,91	13,08	10,56
PIS (%)	1,30	1,30	1,30	1,30	1,30	1,30	1,30
COFINS (%)	6,06	6,06	6,06	6,06	6,06	6,06	6,06
Encargos Sociais (%)	2,82	2,82	2,82	2,82	2,82	2,82	7,04
IR (%)	2,24	2,22	2,28	2,25	2,18	2,10	1,52
CSLL (%)	3,38	3,33	3,48	3,40	3,23	3,04	2,69
<b>Tax on the price</b>	<b>31,79</b>	<b>24,45</b>	<b>24,89</b>	<b>26,58</b>	<b>34,62</b>	<b>32,51</b>	<b>33,29</b>



## Tax Incentives

The Northern Region has a strong fiscal incentive policy, in which some zones of economic development have been created, such as the Free Trade Areas, Manaus Free Trade Zone, and Zona Franca Verde. SUFRAMA is the agency responsible for granting tax benefits related to these areas.

- ▶ **The Free Trade Areas (ALC):** The Free Trade Areas were created to promote the development of the cities of international borders located in the Western Amazon and in Macapá and Santana. **The tax benefits offered are similar to those of the Manaus Free Trade Zone, such as the II, IPI, ICMS and Cofins incentives.** The granting of these benefits follows specific legislation.

**Location of the ALC:** Boa Vista e Bonfim, in the State of Roraima; Guajará-Mirim, in the State of Rondônia; Brasília with extension to Epitaciolândia and Cruzeiro do Sul, in the State of Acre; Tabatinga, in the State of Amazonas; and Macapá and Santana, in the State of Amapá.

- ▶ **Manaus Free Trade Zone (ZFM):** The ZFM is a free trade area for import and exports and special tax incentives established for the purpose of promoting the regional development of the Western Amazon.

### *Some of the tax exemptions in the cosmetic product chain are:*

- Exemption from the Import Tax (II) on the acquisition of foreign merchandise destined for consumption or industrialization;
- Exemption from the Tax on Industrialized Products (IPI) on sale to the domestic market;
- Differentiated rate of PIS and COFINS on the sale of merchandise to the domestic market.

### IMPORTANT

The benefits of the ZFM are granted to cosmetic products classified in positions 33.03 to 33.07 of the IPI Table if they are exclusively destined to domestic consumption in the Free Trade Areas or when produced with the use of raw materials of the regional fauna and flora, following the Basic Productive Process (PPB) for cosmetic products.

POSITION	DESCRIPTION
3303	Perfumes and colognes
3304	Beauty products or prepared make-up and preparations for conservation or for skincare (except medicaments), including sun protection preparations and sun lotions; preparations for manicurists and pedicurists
3305	Hair preparations
3306	Preparations for oral or dental hygiene, including powders and creams to facilitate denture adhesion; dental floss in individual packages for sale and retail
3307	shaving preparations (before, during or after). body deodorant, bath preparations, depilatories, other prepared fragrance products or other cosmetics preparations, not specified neither in other positions; room deodorizer, even not performed, with or without disinfectant properties

- ▶ **Zona Franca Verde (ZFV):** The ZFV guarantees the exemption of the Tax on Industrialized Products (IPI), granted by the federal government, for products manufactured in the Free Trade Areas (ALC) with a preponderance of raw material from regional origin. The ZFV includes the industries located in the free trade areas of Tabatinga (AM), Macapá and Santana (AP), Guajará-Mirim (RO), Brasília and Cruzeiro do Sul (AC), Boa Vista (RR) and Bonfim.

**Forest-based cosmetics industries located in the ALCs of Boa Vista and Bonfim can receive the benefits of ZFV without the obligation to follow PPB measures, which makes these areas attractive for the installation of industries in this sector. In the other ALC, the cosmetics industry is required to adapt its production to the PPB of the product in order to get the benefits of the ZFV.**

## What is the Basic Productive Process (PPB)?

The Basic Productive Process (PPB) was defined by Law No. 8,387, dated December 30th, 1991, as “the minimum set of operations in the factory that characterize the effective industrialization of a given product.” It is a counterpart by the government to the concession of the fiscal benefits of the Manaus Free Trade Zone, the Free Trade Areas and some ZFV products.

In general, the initiative to fix or change a PPB for a specific product is of the producer company interested in receiving an incentive for production. Upon receipt of the proposal, the government will evaluate whether the desired PPB will be created or not.

## What are the steps for the cosmetics industry to acquire the tax benefits of ZFM, ZFV and ALC?

- 01 The Company must be legalized according to business law;  
Verify the Basic Production Process for the product to be manufactured;
- 02 If there is a PPB of the product to be manufactured, the technical-economic project is to be developed by an economist, and classified according to the type of investment (deployment, upgrade, diversification, expansion) and category (Micro and Small Company or others);
- 03 Deliver the company documentation regarding: identification data, social contract, balance sheet or opening sheet, prior environmental license, negative certificate of debts to state taxes, certificate of registration of Project and Regularity;
- 04 Register the company with SUFRAMA through the online platform;
- 05 After the implantation of the industrial facilities of the company, execute the request of the Operative Report (LO) and start the production.

*Note: Resolution n°203, 12/12/2012 of SUFRAMA provides a compulsory guide for the preparation of a technical-economic project. The technical-economic projects are usually written by SUFRAMA approved consultants, whom the company can contact.*

**IMPORTANT**  
Companies opting for Simple Nacional (Simple National Business) are not included in the benefits of the Manaus Free Trade Zone!

SUFRAMA has published some documents advising on the fiscal incentives of the region, such as:

- Regulatory Framework of the Manaus Free Trade Zone;
- Tax Incentives Booklet - A guide for those who want to invest in the Western Amazon;
- Zona Franca Verde - Tax Incentive guide.

Those documents can be found here: <http://site.suframa.gov.br/>



## Exportation of PCFC Products

The attractions and exoticism of forest-based cosmetic products have great appeal in many countries around the world. Therefore, exporting can represent a great opportunity for companies in the Amazon region.

### Some important aspects for the export of products:

- ▶ To be allowed to be an exporter, the company must be regularized, operating as required by legislation for its activity;
- ▶ It is obligatory to have The Registry of Qualification in the Environment of Registration and Tracking of the Acting of Customs Intervenors (RADAR), together with the Integrated Foreign Trade System (SISCOMEX), enabling representatives to practice activities related to exports;
- ▶ Each country has its own regulation regarding the cosmetics sector, so it is necessary to understand all the specifications of the country of destination;
- ▶ ANVISA issues the Certificate of Free Sale (CVL) for PCFC products, a document that certifies that the product is free to be commercialized in the country of origin.



## Main necessary documents:

### For goods to be exported:

- Exportation Registry done in SISCOMEX, which frames the export;
- Fiscal Receipt, which must be adjoined to the goods since its shipping;
- Registration of Loan Operation, if it is done financially;
- Registration of Sales, in case there is business negotiation in international stock exchanges;
- Export Customs Order, which confirms the information provided;
- Bill of Lading, which deals with the science of shipping goods;
- Commercial Invoice, which contains all the data on the export and which is used by the importer;
- "Romaneiro", which has the purpose of facilitating customs supervision at the country of destination;
- Letter of delivery, the list of documents required by the bank to carry out the export operation.

### In relation to the exporter:

- Subscription at the Registry of Exporters and Importers (REI) from SECEX/MDIC;
- Proforma invoice, which specifies information about the product;
- Letter of Credit to demonstrate the interest of the importer at the purchase;
- Bill of exchange as a proxy for credit title;
- Foreign Exchange contract, which allows the exchange of currencies;
- Export contract documents.

### Depending on the kind of merchandise, other documents are required:

- Legalization by the Consulate;
- Certification of Origin, which testifies if the product is originated from the exporting country;
- Insurance policy.

## 5.1

## Regulatory Aspects - USA

Imported products into the United States of America must meet the same requirements as domestic products. They need to be innocuous, without banned ingredients, with approved dye, and must present labeling which provides the mandatory information, reliable and written in English.

**FDA – Food and Drug Administration ([www.fda.gov](http://www.fda.gov)):** the American agency responsible for the regulation and supervision of cosmetic products.

**CFR – Código de Regulamentações Federais ([www.ecfr.gov](http://www.ecfr.gov)):** A list of the laws and regulations of the US federal government. Regulations relating to cosmetics are located in Title 21, parts 700 to 740, in addition to parts 73, 74, 81 and 82, which contemplate dyes applied to cosmetics.

### Definitions:

- ▶ **Cosmetics:** They have the appeal of cleanliness, beautification and change of appearance. Examples: Skin creams, perfumes, make-up, nail polish, toothpaste, shampoos, hair dyes, deodorants.

### Forms of appeal:

"Softness and brightness for the hair" or "clean and silky skin".

- ▶ **MedicamenOver-the-counter (OTC) drugs:** They affect the structure or any function of the body.

Ex.: Sun protection creams, anti-cavity toothpastes, antiperspirants and anti-dandruff shampoos.

**Forms of appeal:** "It promotes regeneration" or "It prevents acne."

*Products considered as OTC must mandatorily be registered by FDA.*



### Packaging and Labelling

The identification shall be considered incorrect if it contains false or misleading labeling, if the mandatory notifications are not legible or are intelligible, and if the container is made or fulfilled in a misleading manner. This is one of the most common causes for rejection of a product in the USA. The main CFR labeling and packaging specifications are found in sections:

201	700	740
330	701	

### Attendance in Fairs

Samples may be sent freely for exhibition at fairs, provided they meet the labeling and safety requirements and are not considered as adulterated or incorrectly identified by the customs authorities.

### Ingredients

Substances which have their use restricted or prohibited in the USA are described in the following sections of code 21 of the CFR:

700.11	700.15	700.19	700.35
700.13	700.16	700.23	250.250
700.14	700.18	700.27	

### Good Manufacturing Practices - GMP

Despite their importance, GMPs are not required for cosmetic products. However, there is a requirement for drugs or medicated cosmetics, in accordance with sections 201 and 211 of Title 21 of the CFR.

201	211	21
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## Definitions:

Cosmetics are defined as “any substance or mixture intended to be brought into contact with the external parts of the human body or with the teeth and oral mucous membranes, exclusively or mainly for cleaning, perfuming, modifying their appearance, to protect them, to keep them in good condition or to correct the odors of the body”.

Besides that, “products containing substances intended to be ingested, inhaled, injected or implanted into the human body do not belong to the area of cosmetics.”

In the European Union, a product can be regulated as a cosmetic or as a medicinal product, but it cannot be regulated as both at the same time.

### Ingredients

The Annexes to Regulation (EC) No 1223/2009 list the prohibited or restricted ingredients for cosmetic products:

- ▶ Annex II – Prohibited ingredients
- ▶ Annex II – Substances with restricted use
- ▶ Annex IV – Authorized dyes
- ▶ Annex V – Authorized preservatives
- ▶ Annex VI – Authorized ultraviolet radiation filters

### Packaging and Labeling

The container and the packaging of cosmetic products must bear the necessary information in indelible, easy to read and visible form.

- ▶ Chapter VI of the regulation explains what information is required and how it should be presented. Some symbols are defined as standards for certain information and are defined in Annex VII.

### Safety

The cosmetic products which are available on the European market must be safe for human health when used under normal or reasonably foreseeable conditions of use, taking into account the aspects defined in Chapter II, Articles 3 and 10 of the regulations.

### Good Manufacturing Practices- GMP

It is expected that cosmetic products must comply with good manufacturing practices, in accordance with legal standards, referred to articles which have been published in the **Official Journal of the European Union**.

## 5.2 Regulatory Aspects- European Union

Regulation (EU) No 1223/2009 represents cosmetics legislation in the European Union. The document covers only cosmetic products, excluding medicinal products and biocidal products. The Regulation can be accessed, including in Portuguese, through the website: <http://eur-lex.europa.eu/>

## How to add value to your product

Adding value to the product may not be an easy task, but it is critical to the success and growth of sales. This becomes even more essential in a market as competitive as the PCFC.

Here are some key tips for your business:

### Target audience, marketing and distribution

The awareness of the characteristics of those who will demand what the company offers is fundamental to aligning product development, language form, communication and distribution channels. Nowadays, social media and online sales allow a much broader and personalized service, facilitating the execution of marketing strategies and offering a practical and easy-to-reach way to transmit your value proposition!

#### Some insights:

- It is interesting that premium products are distributed in specialized stores or in franchise networks;
- Products for men should be shown in a more rustic and masculine appearance concerning their packaging;
- Creams for the senior class should have soft fragrances, with high moisturizing effect.

### Attention to the packaging

Packaging is the main element of connection and communication between the consumer, the product and the brand, as well as one of the main factors that drives the sales of the product. The packaging should attract the attention of the consumer, being beautiful and consistent with the product. Also, an attractive design adds value to the product, as so far as it offers understanding and communicates with the consumer's needs and expectations, establishing the brand's positioning.

### Sustainability

Several studies have proved that people are increasingly worried about the future of the planet. Therefore, demonstrating the sustainability of products and the concept of "Standing Forest" also generates very positive perceptions.

### Each ingredient matters

Amazonian ingredients have unique properties! Therefore, highlighting these benefits creates perceptible value for consumers.



### Attendance in fairs and events

There are several good reasons to attend PCFC fairs and events:

- See and to be seen, establish new contacts, find customers and suppliers, open sales channels, establish partnerships;
- Know new trends, to understand the movements of competitors and the market;
- Conduct market research with the present public, directly interested in the segment;
- Test new products, services and approaches;
- Present and display your products to the media, often present at business fairs.

### Quality

Scientific evidences on the benefits of ingredients, Good Manufacturing Practices certificates, adoption of ISO standards and the creation of Standard Operating Procedures (POPs) are factors that confirm the quality of the products and foment the interest and loyalty of the consumers.

### Training

At the operational level, the training of employees generates optimization of production time, and reduction of costs and rework.; it also enhances the product's quality and contributes to the utilization of more modern equipment. At the management level, it can bring new and better strategies and tools to the company, keeping it updated to the demands of the market.

### Attention to deadlines

The capability to meet demand within the appropriate deadlines can be crucial for any business. It is necessary to understand the logistics of the region and seek to minimize problems. Companies can work together by dividing transport costs and stock storage. Outsourcing delivery can also be a good option.

### Innovation

The PCFC industry is heavily impacted by the steady launch of new products. Investing in innovation, through partnerships with universities and other institutions, can help companies in the development of new formulations and technologies.





## The culture of cooperation as a competitive advantage for companies

“Learning to work together, establishing and maintaining partnership affiliations, becomes a new frontier to increase the competitiveness of small businesses”.

*Collective Enterprising Series, SEBRAE*

### Some of the main advantages are:

#### The sharing of resources:

▶ Companies can share equipment, structures and other assets, combining forces to make necessary investments.

#### Strengthening buying and selling power:

▶ Entrepreneurs that work together gain scale and access better negotiating conditions.

#### Investments in RD&I

▶ One measure to make technological research and other similar advances feasible is to share investments with other companies that are also interested in the results.

#### Quality gain:

▶ Through the sharing of structures, resources and knowledge, it is feasible to create and offer better products and services, including making adjustments in the production process to obtain certifications such as ISO, ECOCERT, FAIR TRADE, among others.

#### Greater access to financial services:

▶ Cooperation is an effective way of facilitating access to credit and other financial services, accelerating the development of small businesses. Credit unions are great examples of collective ventures of this kind, offering the same products and services as an ordinary bank, but with much lower interest rates, and the distribution of leftovers, among other advantages.

### IMPORTANT

Several of these cooperative strategies can be achieved through the formation of Associations and Business Centers (BCs), associative entities formed by companies or independent entrepreneurs. These Business Centers are focused on building shared solutions to economic interests, focusing on the market in which they operate.

### To open a Business Center, you need the following documentation:

1. Approval of the Statute and definition of the members who will form the Board of Executive Officers;
2. Registration in the notary office of legal entities;
3. Foundation Letter printed on letterhead (if there is any), transcribed from the book of minutes, but without the inclusion of the Statute and without any errors made when handwritten in the book. Must be signed by the legal representative of the organization;
4. Two copies of the Statute in full, printed with the signature of the legal representative of the association on all pages;
5. List of founders and members of the Board of Executive Officers with an indication of the nationality, marital status and profession of each member;
6. Letter addressed to the notary office requesting the registration, signed by the legal representative of the association, with the presentation of his personal address and the address of the head office of the entity;
7. Registration in the National Registry of Legal Entities (CNPJ), according to Federal Revenue procedures.



## Cooperativism as a means of boosting extractive communities

Cooperatives are societies of people (at least 20), with a distinct legal form, which differs from other types of associations because of their essentially economic character. Its purpose is to place the products and services of its members on the market under more advantageous conditions than they would have if they were isolated.

*Cooperatives are regulated in the Federal Constitution, in the New Civil Code, and also by a specific law, 5.764 / 71.*

### Advantages:

The work of the members does not generate employment bonds and the products delivered to the cooperative also do not generate taxation. However, at the time of selling the goods, some taxes are applied.

#### IMPORTANT

Above all, the main advantage is that the work is organized, which, through gaining scale, allows isolated individuals with less favorable market conditions to enhance their competitiveness by providing:

- Discounts and better conditions in the purchase of products;
- Greater access to credit;
- Increased investment capacity;
- Gain in production, making it possible to meet market demands.

### Steps to set up a cooperative:

1. The cooperative society is constituted by a resolution of the General Assembly of the founders, included in the respective minutes or by a public instrument;
2. Creation of a constitution, with the election of the Directors. Subscription and payment of capital shares by members;
3. Delivery of the documents for analysis and registry to the Board of Trade.
  - CNPJ at the Brazilian Federal Revenue Agency;
  - Subscription at the State Revenue Agency;
  - Subscription at INSS.
4. License of Permit and Operation in the city hall;
5. Registration at OCEES;
6. Other registries for each economic activity;
7. Opening of a bank account.

COOMESOL, in Tocantins, COOMAC and COOPEMAFLIMA, in Pará, are examples of cooperatives operating in the Northern Region that, for many years, have been generating income and giving better conditions to their associates and communities in general.

The documentary “Empreendimentos Coletivos”, produced by SEBRAE, details these and other ways of gaining advantages through cooperation between people and companies. It can be accessed for free through the following link:[www.sebrae.com.br/sites/PortalSebrae/artigos/serie-empreendimentos-coletivos-cooperar-para-competir,2fa5438af1c92410VgnVCM100000b272010aRCRD](http://www.sebrae.com.br/sites/PortalSebrae/artigos/serie-empreendimentos-coletivos-cooperar-para-competir,2fa5438af1c92410VgnVCM100000b272010aRCRD)