

## The European market potential for palm oil alternatives

Palm oil is well established in the cosmetics industry. However, concerns about deforestation are generating a strong demand for environmentally friendly alternatives. Cosmetics companies are keen to replace palm kernel oil-based ingredients in their formulations. Alternatives such as coconut oil and babassu oil provide an opportunity to suppliers from developing countries, as they have similar properties to palm kernel oil.

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## 1. Product description

Coconut oil is an edible oil extracted from the kernel or meat of mature coconut harvested from coconut palm. The largest coconut production is concentrated in coastal areas such as India, the Philippines, Thailand, Indonesia, Sri Lanka and Brazil.

Coconut oil has several applications. The majority of coconut oil is used in the food industry, followed by the cosmetics industry and the health products industry. In the cosmetics industry, derivatives of coconut oil can be used as skin-conditioning agents, hair-conditioning agents, surfactants, viscosity-increasing agents, emulsion stabilisers and opacifying agents. Coconut oils can be also used as base oil for cosmetic products. It is used in moisturisers, lip balms, body scrubs, oral care products, haircare and hair treatment products, and deodorants.

The HS code for coconut oil is 151311. [COSING](#) is the official cosmetic ingredient database of the European Union (EU). It lists more than 15,000 ingredients used in the manufacturing of cosmetics and gives information on permitted as well as banned substances.

Table 1 Coconut oil record on COSING

INCI Name	COCOS NUCIFERA OIL
Description	Cocos Nucifera Oil is the fixed oil obtained by expression of the kernels of the seeds of the Coconut, <i>Cocos nucifera</i> L., Palmaceae
INN Name	
Ph. Eur. Name	
CAS #	8001-31-8
EC #	232-282-8

Chemical/IUPAC Name	
Cosmetic Restriction	
Other Restriction(s)	
Functions	HAIR CONDITIONING
	MASKING
	PERFUMING
	SKIN CONDITIONING
SCCS opinions	
Identified INGREDIENTS or substances e.g.	

Source: COSING

Table 1 provides the INCI name as well as the CAS number. The database also lists properties and applications of palm oil alternatives such as coconut oil and babassu oil. This information will help suppliers preparing a technical dossier for their ingredients.

Babassu oil is a vegetable oil extracted from the nut of the babassu palm. The palm is native to the Amazon region. The Brazilian babassu palm belongs to the *Arecaceae* family. This tree can reach a height of up to 30 metres. The seed is usually 10-12 cm long and has a brownish colour.

Babassu oil is solid at room temperature; it has similar properties to palm kernel oil, as it has a high content of lauric acid (C12: 40-50%). Babassu oil is also high in palmitic acid, which adds hardness to soap bars.

Babassu oil, which creates a smooth and cooling skin feel, starts to melt when coming into contact with the skin. The oil is versatile and has a wide range of applications. It can be used in body lotions, creams, body butters, lip balms, hair conditioners, shampoos and soap bars.

The HS code for babassu oil is 15132920.

Table 2 Babassu oil record on COSING

INCI Name	ORBIGNYA OLEIFERA SEED OIL
Description	Orbignya Oleifera Seed Oil is the fixed oil obtained from the nuts of the babassu, <i>Orbignya oleifera</i> , Palmaceae. It consists primarily of the glycerides of the fatty acids lauric, myristic and oleic

INN Name	
Ph. Eur. Name	
CAS #	91078-92-1
EC #	293-376-2
Chemical/IUPAC Name	
Cosmetic Restriction	
Other Restriction(s)	
Functions	EMOLLIENT
SCCS opinions	
Identified INGREDIENTS or substances e.g.	

Source: COSING

Table 2 provides the babassu oil record on the COSING database. The database also lists the properties and applications of the oil. This information will help suppliers when preparing a technical dossier for their ingredients.

Table 3 compares the fatty acid composition of coconut oil, babassu oil and palm kernel oil. It is shown that the three oils are quite similar with regard to their fatty acids content.

Table 3 Comparison of fatty acid composition between babassu oil, coconut oil and palm kernel oil

Fatty Acid Composition		Babassu Oil (%)	Coconut Oil (%)	Palm Kernel Oil (%)
Capryllic	C8:0	4.8	6.1	2.4-6.2
Capric	C10:0	5.2	4.7	2.6-7
Lauric	C12:0	42.8	42.5	41-55
Myristic	C14:0	14.1	19.9	14-20
Palmitic	C16:0	8.9	11.6	6.5-11
Stearic	C18:0	3.6	2.2	1.3-3.5

cis-Oleic	C18:1	17.5	9.4	10-23
Linoleic	C18:2	2.9	3.4	0.7-5.4

Source: Sciencedirect.com/Various

## 2. What makes Europe an interesting market for palm oil alternatives?

The European cosmetics market presents an opportunity for exporters of palm oil alternatives from developing countries. There is a stable demand for coconut and babassu oil on the European market. Growing consumer awareness of the negative environmental impact of palm oil is stimulating the demand for palm oil alternatives.

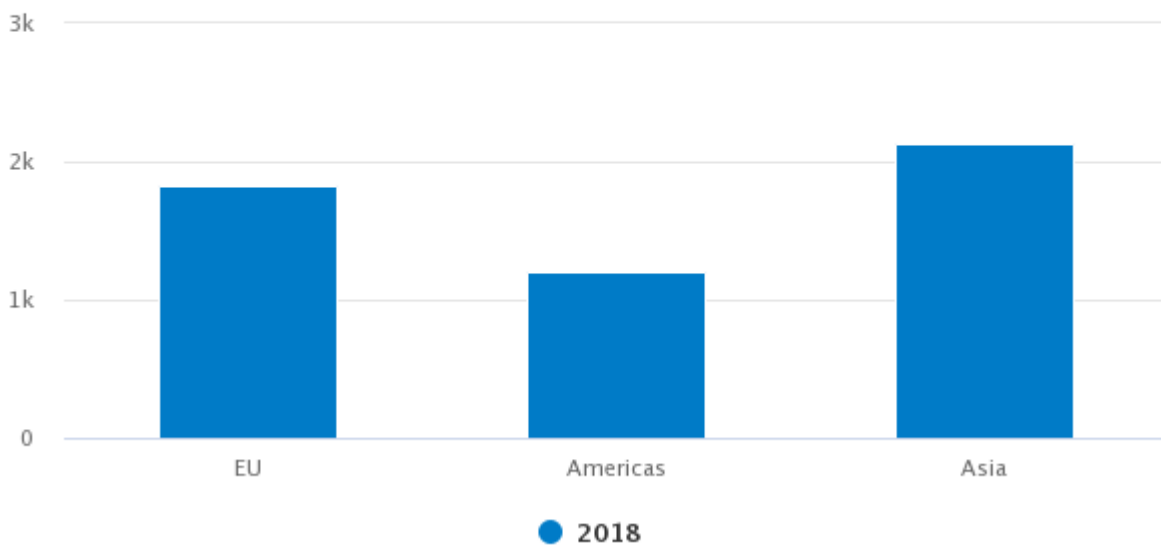
Palm kernel oil and its derivatives are used in a wide range of cosmetic products. [According to Zion Market Research, the market for palm kernel oil](#) was worth around USD 10 billion in 2016. It is forecast to increase by a compound annual growth rate of 4.5% to reach USD 14 billion by 2022.

Europe has the largest cosmetics market in the world. [According to Cosmetics Europe, the cosmetics market](#) was worth EUR 78.6 billion in 2018. Europe is also a significant exporter of cosmetic products. In 2018, around EUR 21.5 billion worth of cosmetic products were exported from Europe.

Europe is also a significant importer of palm kernel oil. Figure 1 shows that Europe is the second-largest importer of oils with HS code 1513, which include palm kernel oil, coconut oil and babassu oil. Asia is the leading region; it sources around 16.5% more palm kernel oil, coconut oil and babassu oil than Europe.

**Figure 1: Imports of coconut oil, palm kernel oil and babassu oil by region**

in 1.000 tonnes



Source: Intracen

Table 4 shows the imports of coconut oil into Europe. It is shown that the volume of imports fluctuates. Between 2011 and 2018, the import volumes varied from 767,000 tonnes to 1 million tonnes. Most coconut oils are used by the food industry.

Table 4 Imports of coconut oil to the EU, 2011-2018

Coconut oil, HS code 151311 + 151319	2011	2012	2013	2014	2015	2016	2017	2018
EU28/`000 EUR	1,096,454	886,934	731,164	827,675	972,167	1,026,416	1,261,454	1,099,072
% change		-19%	-18%	13%	17%	6%	23%	-13%
EU28/`000 tonnes	910	888	1,001	838	869	775	767	909
% change		-2%	13%	-16%	4%	-11%	-1%	19%

Source: Eurostat

Table 5 shows that the imports of palm kernel and babassu oil to Europe also fluctuate. The imports increased in volume by 28.5% between 2011 and 2018. However, the imports decreased in value by 4% over the same period.

Table 5 Imports of Palm kernel and babassu oil to the EU, 2011-2018

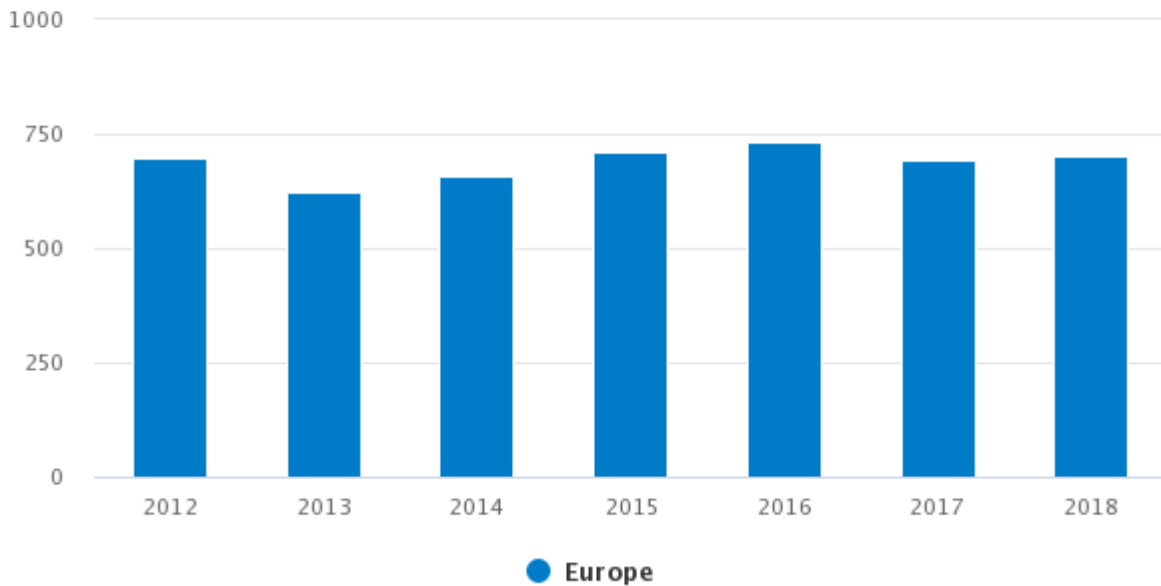
Palm kernel oil and babassu oil, HS code 151329 + 151321	2011	2012	2013	2014	2015	2016	2017	2018
EU28/`000 EUR	893,255	695,780	612,186	662,764	764,180	928,153	1,089,771	858,000
% change		-22%	-12%	8%	15%	21%	17%	-21%
EU28/`000 tonnes	749	722	866	754	858	863	877	963
% change		-4%	20%	-13%	14%	1%	2%	10%

Source: Eurostat

Figure 2 shows the imports of palm kernel oil to Europe. It is shown that the imported volumes vary between years. It is estimated that the share of palm kernel oil imports with HS code 151329 & 151321 ranges between 72% and 97%.

## Figure 2: Imports of Palm Kernel Oil into Europe

in 1,000 tonnes



Source: Indexmundi

Europe is a significant producer of cosmetic products. There are around 5,800 small and medium-sized enterprises involved in manufacturing cosmetic products in Europe. Cosmetic companies are looking to produce more environmentally friendly products, partly because of rising consumer awareness. The use of palm oil in cosmetic products has become a contentious issue because of deforestation in South-East Asia. Cosmetic companies are keen to consider alternatives.

### Tips:

When approaching European buyers with palm oil alternatives, make sure that you know the characteristics and features of coconut oil as well as babassu oil. Learn about the similarities and differences in cosmetic formulations. Make it easier for companies to switch to palm oil alternatives.

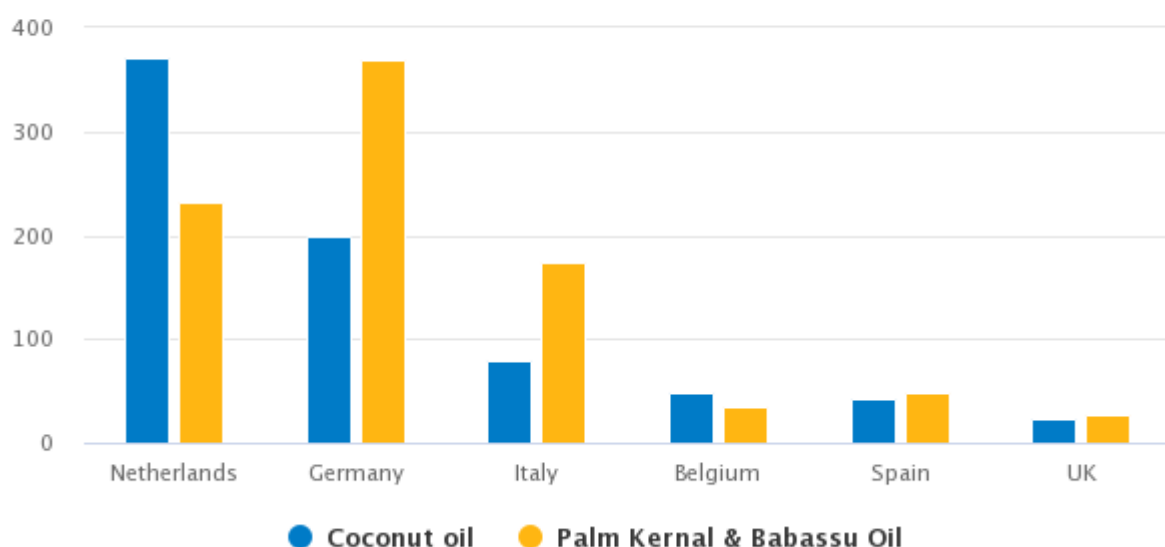
See the [CBI market statistics and outlook](#) to get more information on natural ingredients for the cosmetics sector in Europe.

## 3. Which European countries offer the most opportunities for palm oil alternatives?

The countries that offer the most opportunities for suppliers of palm kernel oil alternatives are the Netherlands, Germany, Spain, the UK, Belgium and Italy. These countries are the largest importers of palm kernel oil, coconut oil and babassu oil. The Netherlands acts mainly as a re-exporter of vegetable oils to other European countries.

Figure 3: The leading importers of coconut, palm kernel or babassu oil to Europe 2018

in 1,000 tonnes



Source: Eurostat

### Tips:

Target Western European countries. Consumers in these countries are more aware of the environmental impact of palm oil; they actively seek products that use palm oil alternatives.

Develop your portfolio of products. European buyers like to source from suppliers with a wide range of ingredients. For example, if you produce coconut oil, also consider other commercially viable products such as coconut milk and coconut water.

## The Netherlands

Table 6 Imports of coconut, palm kernel or babassu oil to the Netherlands, 2011-2018

2018	000 Tonnes	% Change in Volume (2011-2018)	m EUR	% Change in Value (2011-2018)	Exporters	Important Market Players
Coconut oil, HS code 151311 + 151319	371.3	9%	391.6	8%	Philippines (88%), Indonesia (11.8%)	AAKO, Jan Dekker/IMCD, ADM, Cargill, IOI Loders Croklaan

Palm kernel & babassu oil, HS code 151329 + 151321	232.3	68%	220.9	55%	Malaysia (31.5%), Papua New Guinea (16.5%), Colombia (16.1%)	AAKO, Jan Dekker/IMCD, ADM, Cargill, IOI Loders Croklaan
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Source: Eurostat

In the Netherlands, the imports of coconut, palm kernel or babassu oil increased in value and volume between 2011 and 2018. In 2018, the value of imports of coconut oil to the Netherlands reached EUR 391 million, an 8% increase from 2011. The volume and value of imports of palm kernel oil as well as babassu oil increased by 55% over the same term.

Around 98% of coconut imports are from outside of the EU. Around 94% of palm kernel and babassu oil imports to the Netherlands come from outside of Europe. This share has remained stable since 2011.

Most vegetable oils imported to the Netherlands are re-exported to other European countries. The Netherlands has a significant processing industry. The Netherlands is expected to stay a leading importer of coconut and babassu oil in future.

## Germany

Table 7 Imports of coconut, palm kernel or babassu oil to Germany, 2011-2018

2018	000 Tonnes	% Change Volume (2011-2018)	m EUR	% Change Value (2011-2018)	Exporters	Important Market Players
Coconut Oil, HS code 151311 + 151319	198.2	-37%	234.9	-40%	Indonesia (47.3%), Netherlands (32%), Philippines (15.7%)	Sanabio, Gustav Heess
Palm kernel & babassu oil, HS code 151329 + 151321	369.0	-1%	367.3	-19%	Malaysia (54%), Indonesia (53%), Netherlands (15%)	Gustav Heess, W. Ulrich GmbH



Source: Eurostat

In 2018, coconut oil imports to Germany were valued at roughly EUR 235 million, a 40% decrease from 2011. However, between 2011 and 2018, the volume of palm kernel and babassu oil alternatives to Germany decreased by just 1%.

About 67% of coconut oil imported to Germany comes from outside of the EU. The major European importer is the Netherlands. The imports of coconut oil from outside of the EU have decreased from 70% since 2011. The imports of palm kernel and babassu oil from outside of the EU have an 89% share. The share of non-EU sources has increased from 78% since 2011.

Germany has the [largest cosmetics market](#) in Europe. In 2018, it was valued at EUR 13.8 billion. Germany is one of the key exporters of cosmetic products in Europe. German consumers are demanding more natural products.

[Beiersdorf](#) is one of the major cosmetic manufacturers in Germany. Leading natural and organic cosmetics companies include [Wala Heilmittel](#), the Börlind group, [Laverana](#), Logocos (L'Oréal), Primavera Life and Santaverde. Important importers of coconut oil and babassu oil include Gustav Hess as well as Sanabio.

Palm oil alternatives such as coconut oil and babassu oil cater to consumers who look for environmentally friendly products. Germany has a strong cosmetics manufacturing industry and is likely to remain a leading importer of palm oil alternatives.

## Italy

Table 8 Imports of coconut, palm kernel or babassu oil to Italy, 2011-2018

2018	000 Tonnes	% Change in Volume (2011-2018)	m EUR	% Change in Value (2011-2018)	Exporters	Important Market Players
Coconut oil, HS code 151311 + 151319	79.3	27%	99.8	35%	Philippines (60.7%), Netherlands (29.5%)	A&A Fratelli Parodi Spa, EICO Novachem
Palm kernel & babassu oil, HS code 151329 + 151321	174.1	387%	59.5	30%	Netherlands (45.8%), Germany (27.8%)	A&A Fratelli Parodi Spa, EICO Novachem

Source: Eurostat

The imports of coconut, palm kernel or babassu oil to Italy have increased in value and volume from 2011 to

2018. In 2018, the value of coconut oil to Italy reached almost EUR 100 million, a 35% increase from 2011. From 2011 to 2018, the volume of coconut oil imports increased by 27%. The imported volume of palm kernel and babassu oil increased by almost 390% over this term.

More than 60% of coconut oil imported to Italy is from outside of the EU, an increase of 58% from 2011. However, around 76% of palm kernel and babassu oil imported to Italy is from intra-EU trade. This share has grown since 2011.

The Italian cosmetics market is one of the largest in Europe. There is also a growing demand for natural and organic cosmetics. Italian consumers are becoming more aware of the environmental impact of cosmetic ingredients. Leading natural and organic companies include L'Erbolario, ISMEG as well as Helan. The Italian market for natural and organic cosmetics has been growing at a healthy rate for many years.

The demand for palm oil alternatives is expected to increase in Italy over the coming years.

## Belgium

Table 9 Imports of coconut, palm kernel or babassu oil to Belgium, 2011-2018

2018	000 Tonnes	% Change in Volume (2011-2018)	m EUR	% Change in Value (2011-2018)	Exporters	Important Market Players
Coconut oil, HS code 151311 + 151319	47.8	20%	62.4	25%	Netherlands (81.3%)	Amazonia Bio
Palm kernel & babassu oil, HS code 151329 + 151321	34.3	25%	44.1	46%	Indonesia (29.8%), Netherlands (26.6%), Malaysia (18%), Papua New Guinea (15.2%)	SIPEF NV

Source: Eurostat

The imports of coconut oil to Belgium increased in value as well as volume between 2011 and 2018. The value of coconut oil imports to Belgium reached EUR 62 million in 2018, a 25% increase from 2011. In 2018, the volume of coconut oil imports reached 47.8 million tonnes, an increase of 20% from 2011. The imports of palm kernel and babassu oil increased in value as well as volume over the same period.

Belgium is a re-exporter of vegetable oils to Europe. Almost 99% of coconut oil imported to Belgium is from intra-EU trade. However, around 63% of palm kernel and babassu oil imported to Belgium comes from outside of the EU. This share increased from 52% in 2011.

It is expected that the demand for palm oil alternatives such as coconut oil and babassu oil will continue to increase in future. Suppliers should approach Belgian buyers, as the volume of imports is growing. The share of extra-EU trade is low for coconut oil, but the growing demand may enable Belgian exporters to import from outside of the EU.

## Spain

Table 10 Imports of coconut, palm kernel or babassu oil to Spain, 2011-2018

2018	000 Tonnes	% Change in Volume (2011-2018)	m EUR	% Change in Value (2011-2018)	Exporters	Important Market Players
Coconut oil, HS code 151311 + 151319	42.4	98%	49.4	73%	Philippines (92%)	GUINAMA LABORATORIES, Grupo Plimon, S.L.
Palm kernel & babassu oil, HS code 151329 + 151321	48.9	30%	49.4	3%	Papua New Guinea (31.8%), Colombia (31.4%), Indonesia (15%), Malaysia (19%)	Quimibios, Grupo Plimon S.L.

Source: Eurostat

The import of coconut oil to Spain - in terms of value and volume- increased at a double-digit rate from 2011 to 2018. The value of coconut oil imports to Spain reached over EUR 49 million in 2018, a 73% increase from 2011. The volume of palm kernel and babassu oil imports increased by 30% over the same period.

More than 90% of coconut oil imported to Spain comes from outside of the EU, with the Philippines as the main exporting country. This share increased from 75% in 2011. More than 97% of palm kernel and babassu oil imports come from outside of the EU. This figure is an increase from 68% in 2011.

There is a growing demand for natural and organic cosmetics in Spain. Some of the leading domestic players include Disna and Alqvimia. The market for natural and organic cosmetics is growing at a healthy pace.

Spain is an attractive export market for coconut and babassu oil from developing countries, as the imports of coconut and babassu oil have grown. The majority of the volume comes from extra-EU trade. It is expected that the demand for coconut and babassu oil in Spain will continue to grow in the coming years.

## The UK

Table 11 Imports of coconut, palm kernel or babassu oil to the UK, 2011-2018

2018	000 Tonnes	% Change in Volume (2011-2018)	m EUR	% Change in Value (2011-2018)	Exporters	Important Market Players
Coconut oil, HS code 151311 + 151319	23.5	12%	40.4	28%	Netherlands (71.4%)	A & E Connock, Gracefruit
Palm kernel & babassu oil, HS code 151329 + 151321	26.3	-50%	29.7	-51%	Netherlands (38.3%), Ireland (18%), Malaysia (16.7%), Indonesia (12.4%)	A & E Connock, Handa Fine Chemicals

Source: Eurostat

In the UK, the import of coconut oil increased in value and volume from 2011 to 2018. The imports of coconut oil to the UK were valued at EUR 40.4 million, a 28% increase from 2011. From 2011 to 2018, the volume of palm kernel or babassu oil imported to the UK decreased by 50%. The value of imported palm kernel and babassu oil decreased by 51% over the same time period.

Almost 75% of coconut oil imported to the UK is from intra-EU trade. More than 42% of palm kernel and babassu oil is imported from outside of the EU. This share decreased from 70% in 2011.

The UK has one of the largest consumer markets in Europe. [Unilever](#) and [Elemis](#) are two leading cosmetic companies. Unilever launched its Love, Beauty and Planet brand of sustainable cosmetics in 2017. The company aims to reduce its carbon footprint by 20% in 2020.

The market for natural and organic cosmetics is showing healthy growth. Neal's Yard Remedies, REN Skincare (Unilever), The Organic Pharmacy and Faith in Nature are some of the leading brands.

A potential no-deal Brexit may disrupt the supply chains for ingredients such as coconut and babassu oil. It may take some time to renegotiate trade deals with developing countries, so there is some uncertainty for suppliers of palm oil alternatives to the UK.

It is expected that the demand for palm oil alternatives will increase in future. However, there has been growing evidence that increasing the production of some of the alternative oils could have potentially harmful effects on the environment. This situation could have a negative impact on the demand for coconut and babassu oils. To mitigate such risks, it is important that suppliers of palm oil alternatives adhere to sustainable production methods and adopt sustainability schemes.

## 4. Which trends offer opportunities on the European market?

There is a growing demand for palm oil alternatives such as coconut oil and babassu oil on the European cosmetics market. European consumers are becoming more aware of the environmental impact of the products that they buy. By substituting palm oil with alternative ingredients, cosmetic companies can meet the consumer demand for ethical or environmentally friendly products.

### Increasing importance of marketing stories

Suppliers of natural ingredients to the cosmetics sector use marketing stories to sell their products. In recent years, there is a growing importance of marketing stories about selling palm oil alternatives. Consumer demand is a key driver behind this trend because of [rising awareness of environmental issues](#). Consumers are demanding products which are more environmentally friendly and sustainable.

Recent research has shown that consumers [value brands that are socially responsible](#). Using palm oil alternatives in natural ingredient and/or cosmetics helps to enhance the image and reputation of companies. Cosmetic companies are therefore increasingly using marketing stories to give them a competitive edge over their rivals in the marketplace.

Similarly, other [global research](#) has found that consumers care about environmental issues and actively seek out companies that care about environmental issues. Having a clear and distinct marketing story demonstrating a company's commitment to environmental issues has significant advantages. It is therefore of little surprise that brands are increasingly using marketing stories which highlight the use of palm oil alternatives in their products.

This trend is predicted to continue in future as consumers become more aware of environmental issues. Suppliers of palm oil alternatives to natural ingredient and/or cosmetic companies should capitalise on this opportunity to persuade them to purchase their ingredients. The reason is that companies can use the environmental credentials of palm oil alternatives as a marketing story to increase the sales of their products.

#### Tips:

Communicate your sustainability practices on your website and marketing materials. Use visuals and substantiate your claims by quantitative as well as qualitative data.

Learn about the origins of your coconut oil and babassu oil, and be prepared to communicate this information to your potential customers.

### Environmental labels and certification schemes gaining popularity

In recent years, there has been a substantial rise in the number of labelling and certification schemes for natural ingredient and/or cosmetic products. This trend is the most applicable to natural, [organic and Fairtrade products](#) and is set to continue in future. A major driver behind this trend is the increasing consumer demand for organic and Fairtrade products. The reason is that consumers are become more aware of the differences between organic and Fairtrade products on the one hand and conventional products on the other.

The use of organic palm oil alternatives in natural ingredients and/or cosmetics meets the consumer demand for eco-friendly products. Importantly, natural and organic cosmetic companies can use sustainability labelling as well as certification to show consumers that their products meet high standards. For example, the [Roundtable on Sustainable Palm Oil \(RSPO\)](#) certification scheme is very popular. Suppliers of palm oil alternatives should therefore consider such labels and certification for their natural ingredients, as it makes their ingredients more appealing.

[Fairtrade](#) concerns more equitable prices, fair working conditions, local sustainability, and fair terms of trade for farmers and workers in the developing world. [The growing consumer demand for Fairtrade products](#) has led to cosmetic companies seeking natural ingredients such as palm oil alternatives which are Fairtrade. Suppliers of palm oil alternatives should therefore invest in Fairtrade labelling schemes to make their natural ingredients more appealing.

One example of this trend is the Brazilian ingredient supplier Beraca. It has a wide range of natural ingredients for cosmetics, including certified Organic [babassu oil](#). The oil has both [COSMOS](#) and [EU Organic certification](#).

### Tips:

Certify your oils as Organic. One of the main reasons why palm kernel oil is so popular is its low price. The demand for palm oil alternatives usually comes from companies that cater to consumers who are willing to pay a premium for high-quality products.


Provide buyers with extensive information on the sourcing methods of the oil. This approach improves traceability, which builds the trust necessary for long-term partnerships.


See the [CBI study](#) of what trends offer opportunities for natural ingredients for cosmetics.


This study has been carried out on behalf of CBI by [Ecovia Intelligence](#).

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