

Exporting palm oil to Europe

Palm oil is the most important vegetable oil imported into Europe. The oil is used in large volumes by the food, personal care and biofuel industries. Opportunities for exporters in developing countries are likely to be found in niche markets such as organic, fair trade certified and/or red palm oil.

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1. Product description

Palm oil is derived from the palm fruit (mainly *Elaeis guineensis*, and to a lesser extent *Elaeis oleifera* and *Attalea maripa*) in tropical countries. Around 90% of palm oil is produced in Indonesia and Malaysia. The oil is widely used worldwide, accounting for 65% of all vegetable oils traded internationally.

Palm oil contains highly saturated fats and is semi-solid at room temperature. This factsheet only focuses on palm oil used in the food industry. The oil is used in many food items such as margarine, ice cream, confectionery, filled milk and as cocoa butter substitute.

A sub-category of palm oil is red palm oil, which is unrefined and has a red colour due its carotene content. It is used as a cooking oil and in cosmetic products; new applications as food colouring are currently being researched.

Codes for palm oil

The Harmonised System (HS) code for edible palm oil is included in:

| HS code | Description |
|----------|---|
| 15111090 | Crude palm oil for the manufacture of foodstuffs for human consumption |
| 15119011 | Refined palm oil (solid fractions) in immediate packings of a net content not exceeding 1kg |
| 15119019 | Refined palm oil (solid fractions) in immediate packings of a net content exceeding 1kg |
| 15119099 | Refined palm oil for the manufacture of foodstuffs for human consumption |

2. What are the developments on the European market for palm

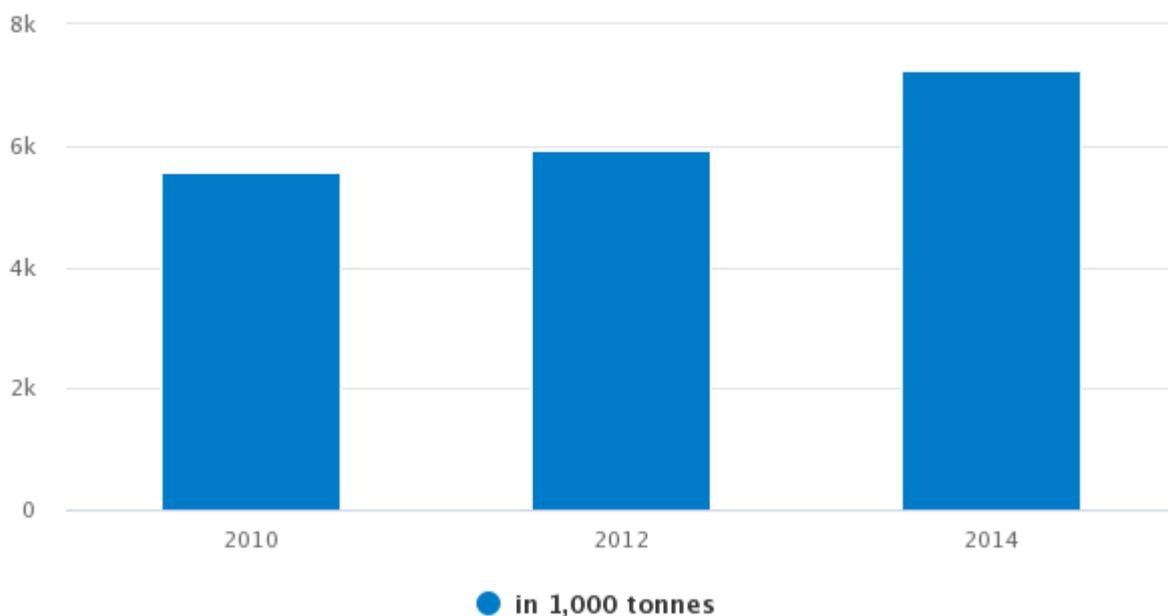
oil?

Total palm oil consumption is growing, but consumption of edible palm oil decreases

The total European consumption of palm oil has increased at an annual rate of around 7.0% since 2010. The general increase in palm oil consumption can be related to the increase in the technical use of palm oil, mostly as biofuel.

You should note that the consumption of edible palm oil [has been decreasing in the last few years](#). Palm oil is under attack on the European market due to its environmental and ecological impact in producing countries. This is described under the section on trends.

Figure 1: Consumption of palm oil in Europe



Source: FEDIOL, 2016

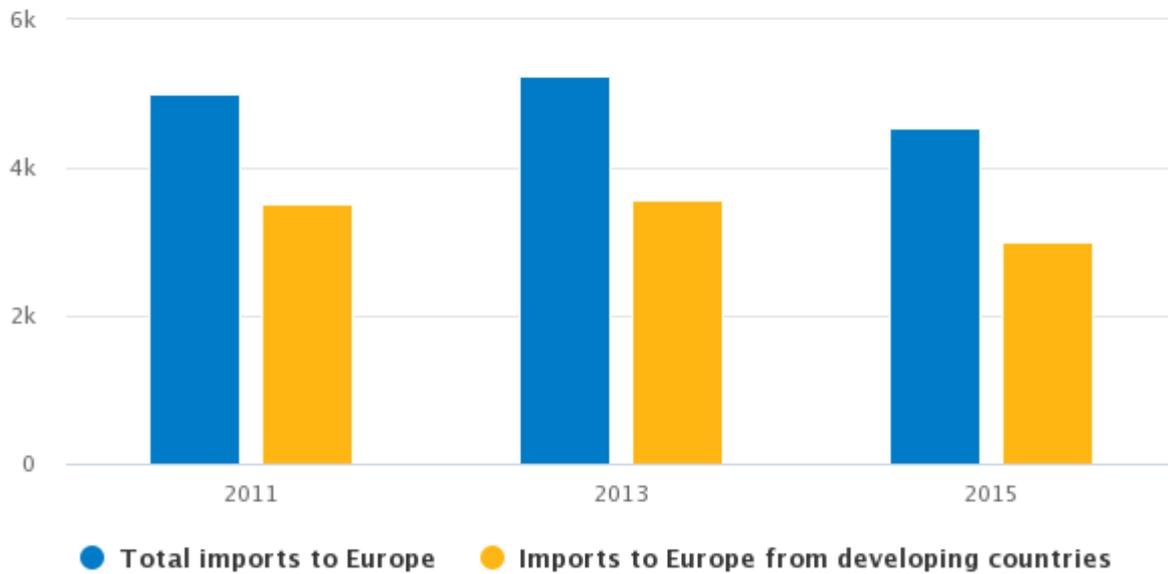
- Find out more about [consumption in specific European countries](#) through the statistics provided by the European Union's Vegetable Oil and Proteinmeal Industry (Fediol) website.
- Check the website of FoodDrinkEurope to [understand consumption and manufacturing of food products](#), several using palm oil, across different European countries.

European imports are decreasing

European imports of palm oil decreased at an annual rate of 2.4% in volume between 2011 and 2015. This decline in imports is related to the gradual substitution of palm oil for other vegetable oils in food products due to sustainability concerns in the industry and among consumers.

Most palm oil is imported from developing countries

Figure 2: Total imports of palm oil to Europe, x 1,000 tonnes.

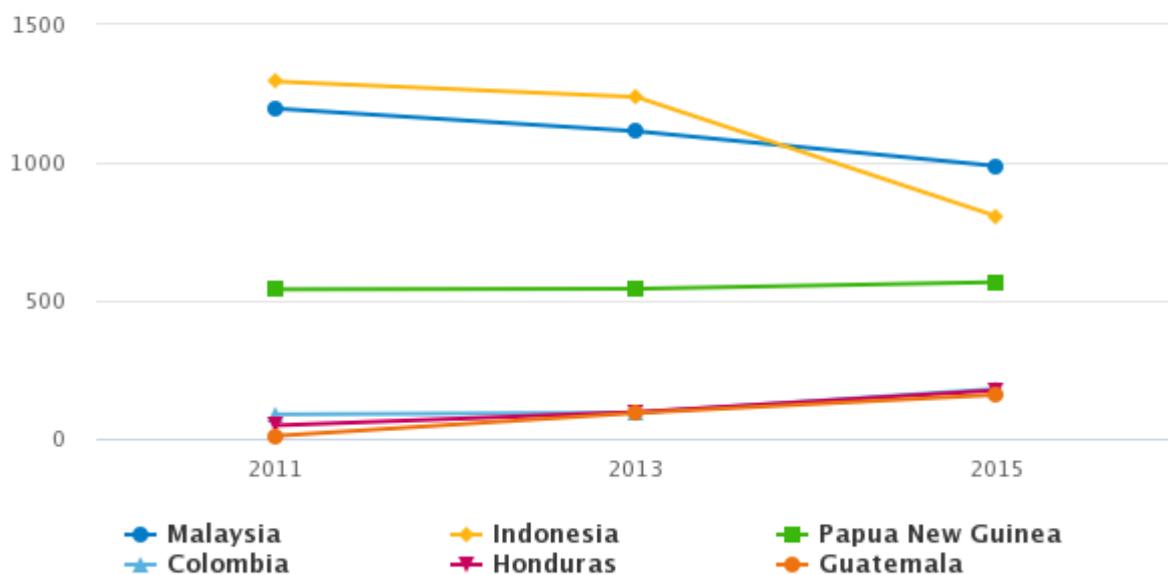


Source: Eurostat, 2016

Europe does not produce palm oil. It depends entirely on supplies coming from tropical countries. In 2015, 66% of total European imports of palm oil came directly from developing countries, corresponding to around 2.9 million tonnes (€1.9 billion).

The remaining share of imports also come from developing countries in tropical regions, but first enter Europe through transit countries like the Netherlands. Subsequently, they are transported to their final destination.

Figure 3: Main suppliers of palm oil to Europe from developing countries, x 1,000 tonnes



Source: Eurostat, 2016

Malaysia (33% of European imports from developing countries) has surpassed Indonesia (27%) in recent years,

thus becoming the largest supplier of palm oil to Europe in 2015. But note that these data only include palm oil for human consumption, and not the total market for palm oil. [Indonesia remains the largest producer worldwide](#) (login needed).

Both [Indonesian](#) and [Malaysian](#) exports of palm oil have started to decline in 2016. At the same time, exports of other large developing country suppliers, such as Colombia, Honduras and Guatemala, have increased since 2011. All these countries registered annual growth rates ranging between 20% (Colombia) and 100% (Guatemala) in the period 2011–2015. Papua New Guinea's exports saw a more modest growth in volume, at an annual rate of 1.2%.

Tip:

Identify your potential competitors and learn from their marketing efforts, such as their website and social media use. The websites of [Daabon](#) (Colombia) and [Agropalma](#) (Brazil) are good examples of the marketing of organic palm oil. As for (fair trade) red palm oil, a good marketing example can be found on the website of [Amanvida](#) (Belgium).

The Netherlands and Germany are the main importers

The Netherlands accounts for over 60% of European re-exports of palm oil. Germany follows with 24%.

Tip:

Consider trade hubs like the Netherlands and Germany as possible entry points to reach surrounding European markets, as they play an important role in the re-export of palm oil.

Towards a sustainable palm oil sector

The palm oil industry is going through a major change, where sustainability is shifting from a niche to a mainstream concept. This means that sustainability is becoming a crucial entry requirement into the European market.

The Roundtable of Sustainable Palm Oil (RSPO) is the industry-led standard for sustainable palm oil. RSPO is now widely used by large players such as Unilever, Carrefour and Nestlé. In 2016, [IOI Group](#), a global palm oil company, [received a suspension](#) on their certification due to violations of the RSPO standards, proving that compliance is key!

In addition to RSPO, major industry players have [committed to deforestation-free palm oil](#), such as Nestlé and Ferrero. There are also companies engaging in Rainforest Alliance and organic certifications for palm oil, which can represent an opportunity for small and medium-sized exporters to target niche markets. These are all efforts to address sustainability concerns in the supply chain of a [highly debated product](#).

On the producing side, Indonesia and Malaysia have set up the [Council of Palm Oil Producing Countries](#) (CPOPC) in 2015. The council will attempt to regulate the industry-led sustainable palm oil commitment (RSPO) into one governmental commitment.

Tips:

Investigate possibilities to certify your palm oil according to sustainability schemes. Assess the options, costs, market demand and possible returns for each certification. You can find more information in the section below, which deals with buyer requirements.

Invest in a traceability system for your palm oil. It is important to separate different batches along the supply chain, as this is an important requirement within all sustainability schemes. See this document by the European Commission about [Food Traceability requirements in Europe](#).

3. What requirements should palm oil comply with to be allowed on the European market?

Buyers in the European Union have strict requirements for palm oil. You will only be able to successfully market your product in Europe when you comply with these requirements. See our study on [buyer requirements for vegetable oils](#) for a detailed analysis of these requirements. They deal with the following topics:

Legal requirements

You must follow these legal requirements applicable to food ingredients and vegetable oils specifically:

- Traceability, hygiene and control
- Contamination: Contamination by polycyclic aromatic hydrocarbons and/or benzo(a)pyrene is a common problem faced by exporters of palm oil. Make sure to address extra contamination risks by 3-MCPD esters and glycidyl esters.
- Erucic acid content: Not highly relevant for palm oil
- Extraction solvents
- Product composition: Do not add unauthorised ingredients such as Sudan 3 and 4; this is a common problem faced by red palm oil exporters.
- Labelling, including allergens and nutrition & health claims
- Food contact materials

Tips:

Learn about common problems faced by palm oil suppliers during border controls and adopt appropriate measures to avoid them. On the website of the [Rapid Alert System for Food and Feed \(RASFF\)](#), you can browse through various border rejections and alerts for palm oil under the product category 'fats and oils' after accessing the [RASFF Portal](#).

Refer to the Annex of Regulation (EC) No 1881/2006 for [the maximum limits of each contaminant](#).

Check the website of FEDIOL for more information on [risk assessments for 3-MCPD esters and glycidyl esters](#).

Implement [good harvesting and processing practices for palm oil](#) to avoid various sources of contamination.

Additional requirements

You are advised to follow these additional requirements applicable to food ingredients and vegetable oils

specifically:

- Food Safety Certification: In addition to HACCP, certificates such as [IFS](#) or [BRC](#) might be required by some buyers.
- Corporate responsibility and sustainable sourcing certification: Palm oil is criticised in Europe due to its environmental and social impact. This puts pressure on suppliers and buyers to comply with sustainability standards. The [Roundtable on Sustainable Palm Oil \(RSPO\)](#) promotes the sustainable production and trade of palm oil worldwide, and it is becoming a basic requirement for entry into the market. The roundtable is supported by large-scale industry players, such as Unilever, Carrefour, Nestlé and Ferrero. But it is also applicable to small or medium-scale players. In addition, companies often have their own policies regarding corporate social responsibility, which could have a strong benefits to you as a supplier.

Quality requirements

The two main quality problems in palm oil are hydrolysis (formation of fatty acids) and oxidation (rancidity). To avoid these problems, palm oil should be [stored between 32oC and 40oC](#) and remain protected from pro-oxidants such as [carotenoids and metal ion](#). The moisture content in the oil should be kept between 15 and 25%.

Make sure to also prevent contamination by other foreign materials (such as dust) by keeping facilities and equipment clean. Palm oil can also be contaminated with glycidyl esters and 3-MCPD. The European Food Safety Authority (EFSA) has commissioned a research concerning these [contaminants, the potential health risks for humans and the possible tolerable daily intakes](#).

Labeling requirements

Label your bulk product in the English language unless your buyer has indicated otherwise. Labels must include the following:

- Product name
- Manufacturers lot or batch code
- If the product is destined for use in food products
- Declaration of allergenic substances
- Name and address of exporter
- Products country of origin
- Shelf life: Best before date / use by date
- Net weight/volume in metric units
- Recommended storage conditions
- Organic (if relevant): Name/code of the inspection body and certification number

Packaging requirements

Transportation of palm oil depends on the volumes being transported:

- Very large volumes of commodity palm oil are stored and transported in tank containers.
- Smaller volumes are transported in intermediate bulk containers (IBCs), steel drums or high-density polyethylene (HDPE) drums.

Figure 4a. An example of bulk packaging. Large volumes of conventional palm oil:
Tank container (4,000 litres)



Source: [TITAN Vehicle](#)

Figure 4b. An example of bulk packaging: Smaller volumes for specialty palm oil: Intermediate bulk container (1,040 litres)



Source: [Capacify - Logistics](#)

Requirements for niche markets

Requirements for niche markets that are applicable to vegetable oil suppliers are:

- Organic certification: Organic is a niche market for palm oil, but it is an increasingly interesting proposition due to the growing organic market in Europe. Palm oil has wide applications in the food industry, and can be used similarly in the organic sector.
- Rainforest Alliance: Palm oil is currently the only vegetable oil that can be certified by the Rainforest Alliance. [Rainforest Alliance: Sustainable Agriculture Network](#) focuses on environmental issues and can be an important opportunity to diversify yourself from other suppliers.
- Fair trade certification: Fair trade certification does not offer many opportunities for palm oil, except for red palm oil – which is a consumer product. Fair for Life has a few [certified operators handling red palm oil](#).

Tips:

Do not underestimate the importance of sustainability on the European market. Besides RSPO certification, the more evidence you can provide regarding the sustainability of your operations the better. These can be related to the impact on producing communities, to the preservation of biodiversity or other issues. However, do not make claims you cannot substantiate.

Access the website of [Rainforest Alliance](#) to become familiar with the certification process and affiliated companies.

Do not engage in organic or fair trade certifications without researching your (potential) market and/or consulting with your buyer. Assess the benefits and possible returns against the costs of certification.

4. Through what channels can you get palm oil onto the European market?

Market segments

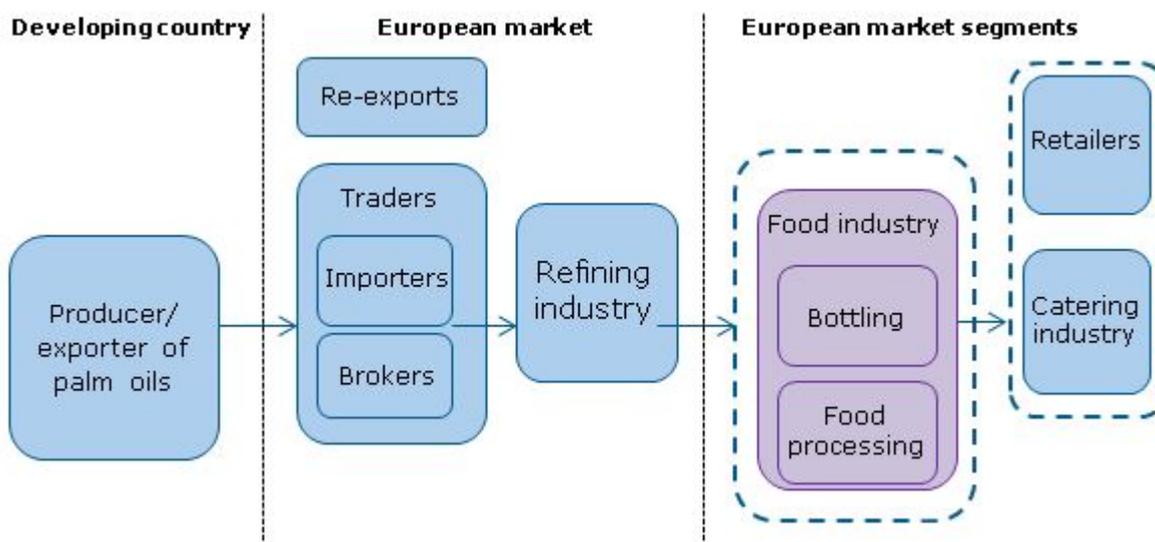
Palm oil is widely used by the food industry in the manufacture of products such as margarine, confectionery, baked goods and crisps (as a frying oil). It is considered to be one of the most versatile oils (and relatively cheap) within the food industry. It is usually not sold as a consumer product.

Organic palm oil has similar applications, but it is used in the production of food products for the niche organic market, commanding smaller volumes.

Different to regular palm oil, red palm oil is a consumer product. It can mostly be found in niche retailers in Europe. Lower-priced and standard quality red palm oil can be purchased in ethnic shops, whereas higher-priced and high-quality (often organic-certified) red palm oil is usually available at health shops or as a premium product in supermarkets. Red palm oil is usually used for cooking; newer applications as a food colouring are currently being investigated.

Market channels

Figure 5. Trade channels for palm oil in Europe



The trade channels for conventional palm oil are not different from the general structure for vegetable oils as described in our study on [market channels and segments for vegetable oils](#).

The channels for niche palm oil are:

- Organic palm oil is often traded by specialised (organic) importers or refineries in Europe. Examples are [Brochenin](#) (France), [Henry Lamotte](#) (Germany), [ZOR](#), [Tradin](#) and [DO-IT](#) (Netherlands).
- Red palm oil also enters the market via specialised importers, but does not go through further refining. It is mostly used for cooking. Research is being done into the use of red palm oil as natural (non-synthetic) food colouring. Natural alternatives to food colouring are scarce, but red palm can be used by manufacturers who want to label their products as additive-free, [without sacrificing the colouring that makes the food products more appealing](#).
- Fair-trade certified (red) palm oil still represents a highly specialised market. Market entry is usually via specialised (ethical) traders, often in the framework of sustainability projects. An example is the [FairWorld Project making Fair and Sustainable Palm Oil in Ghana](#).

Tip:

If you are a small or medium-sized exporter dealing with smaller volumes or specialised palm oil, traders are the most suitable entry point.

If you are a starting exporter, brokers can be your entry point into Europe as they are trusted by the European edible oil sector, which can make up for the lack of reputation of a starting developing-country exporter.

5. What are the end-market prices for palm oil?

Price breakdown

In general, the following margins can be expected for palm oil:

- Brokers: approximately 0.5 to 2% or a fixed price per tonne.
- Importers: depending on whether the oil is simply being forwarded (5-10%), or whether the importer has to re-sell specific quantities (10-20%).
- Refiners charge a fixed amount per tonne of oil refined.

The margins charged by other industry players such as food manufacturers, bottlers and retailers will depend greatly on the segmentation and added value of the final product, for example whether it has an organic certification.

World prices

Only red palm oil is sold directly to consumers. The world prices for conventional palm oil (in bulk) are therefore an interesting starting point for you as a supplier, since conventional palm oil is not a consumer product.

Since 2012, palm oil prices have seen a general decrease, with a small peak in the beginning of 2014. In 2015 and 2016, price levels decreased further to prices below US\$ 700 per tonne. This decrease is mainly driven by two trends in the biofuel industry: a sharp decrease in petroleum costs and the global increase of soybean supply. However, in April 2016 prices have started to increase to levels above US\$ 720 per tonne. Prices are expected to rise even more due to poorer supplies [as a result of El Niño](#).

Figure 6: World prices for palm oil, 2010–2016 (Q1)



Source: World Bank Pink Sheet, 2016

Organic palm oil

Prices for organic palm oil are 40 to 50% higher than those for conventional palm oil.

Red palm oil

Red palm oil is a consumer product. Examples of retail prices for red palm oil are specified in the table below. Note that these prices are based on web shop checks and that they vary according to type of retail outlet, the product's net content and origin.

Table 1. Examples of end market prices for red palm oil

| Brand and details | Retail outlet | Price and packaging size | Price per litre |
|--|------------------------------------|---------------------------|-----------------|
| Real Food Source (organic) | Real Food Store, United Kingdom | £11.99 (€13.81) / 1 litre | €13.81 |
| Rotes palmöl (organic) | Zentrum-der-Gesundheit.de, Germany | €19.50 / 1 litre | €19.50 |
| AMANPRANA Rode Palm Olie (organic and Fairtrade) | Ekoplaza, the Netherlands | €9.95 / 325 ml | €30.61 |

| | | | |
|------------------------------------|-------------------------------|-----------------|--------|
| Bio Today Rode Palm Olie (organic) | Albert Heijn, the Netherlands | €9.95 / 325 ml | €30.61 |
| Mama Africa Red Palm Oil | Alter Africa, France | €5.90 / 1 litre | €5.90 |

Tips:

Develop sustainable, trust-based relationships with new buyers in order to profit from the international scenario for palm oil in the long run, despite the many variations in demand and price.

Keep an eye on crop levels of various suppliers of palm oil worldwide, in order to anticipate price and other international market developments. The website of [FAOSTAT](#) is a useful statistical source for this purpose.

Assess whether certification is demanded in your target market. Carry out a cost calculation to decide if certification will provide you with a beneficial margin.

If you are dealing with a premium product such as red palm oil, justify the value of your product. Buyers and consumers might be willing to pay a higher price for products, which means it is important to focus on quality, sustainability and smart marketing.

Please review our [market information disclaimer](#).