CBI Product Factsheet:

Desiccated Coconut in Europe
Introduction

With 30% of the world's imports, the European Union (EU) is the largest importer of desiccated coconut in the world. Desiccated coconut is a traditional bakery ingredient in many European countries and more recently, the product has benefited from the rising interest in Asian cooking. Imports of desiccated coconut to Europe are increasing with the Netherlands, Belgium, Germany and the United Kingdom as the leading importing countries.

Product description

Desiccated coconut, sometimes referred to as coconut powder, is dehydrated white coconut meat from freshly selected mature coconut kernels. It is prepared from substantially sound white kernel obtained from the whole nut of coconut (Cocos nucifera). Desiccated coconut is processed as follows: de-husking (removal of the husk, leaving the shell intact), hatcheting (removal of the shell), paring (removal of the brown skin around the kernel), washing, comminuting, drying (to humidity below 3%) and sifting. Desiccated coconut can be produced without oil extraction or with partial oil extraction by appropriate physical means.

Preservatives are permitted in the production of desiccated coconut and the most common practice is the addition of sulphur dioxide. Citric acid is also permitted for use as an antioxidant.

Table 1: Combined Nomenclature code for desiccated coconut

<table>
<thead>
<tr>
<th>Number</th>
<th>Product</th>
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<tr>
<td>080111</td>
<td>Coconut, desiccated</td>
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Product specification

Quality

For detailed standard quality requirements, see Codex Alimentarius Standard for Desiccated Coconut.

The basic quality requirements for desiccated coconut are:

- Colour: natural white to light creamy
- Texture: free-flowing and free of yellow specks
- Flavour: distinctive coconut flavour without off-flavours due to deterioration or absorption of extraneous substances
- Odour: characteristic of the product, not mouldy, cheesy, smoky, fermented or rancid, and no undesirable odour
- Oil content: in trade practice, desiccated coconut is divided into 2 categories:
  - High fat desiccated coconut (sometimes referred as 'full fat') with higher than 60% m/m oil. This is a dehydrated form of white coconut meat from freshly selected mature kernels.
  - Low fat desiccated coconut with less than 60% m/m of oil. This is a dehydrated form of white coconut meat after extraction of the coconut milk. The fat content can vary but is usually in the range of 45 to 55%.

Additional quality requirements

Desiccated coconut may be sized according to granulometry into several categories. Cut sizes of fine, medium and superfine are widely used in the confectionery and bakery as topping for cakes and pastries; fillers for candy bars; and chocolates.

In addition to the regular cuts, desiccated coconut is also available in a variety of fancy cuts, such as chips, flakes, threads and shreds. Fancy cuts are used as confectionery toppings and as breakfast cereal enhancers. Toasted and sweetened desiccated coconut fancy cuts have a crunchy coconut flavour and are also used as snacks.

Labelling

The name desiccated coconut is to be used and preceded or followed by the common or ordinary name legally accepted in the country of retail sale. The name should indicate the oil content of the product, and when applicable, may indicate the product size.

Information on non-retail containers is to be provided either on the container or in accompanying documents and includes the name of the product, lot identification, and the name and address of the manufacturer, packer, distributor or importer.
This information may be replaced by an identification mark, provided this mark is clearly identifiable in the accompanying documents. Storage instructions must also be stated on the container.

Labelling of retail packaging must comply with EU Regulation 1169/2011. This regulation has been in force since 13 December 2014, but the requirement to provide nutrition information applies from 13 December 2016.

Packaging

Packaging of desiccated coconut must protect the organoleptic properties and protect the product from bacteriological and other contamination. This includes contamination from the packaging material, which may affect the product odour, taste, colour or other characteristics.

The most common types of bulk packaging for desiccated coconut are craft paper bags with inner sealed polythene to protect against atmospheric moisture. The standard bag size is 25 kg but bags of 8 kg, 10 kg and 50 kg are also used. Packed products should be stored in a clean, cool and dry place at a room temperature of less than 26 °C. Under these conditions, the product shelf life is 12 months.

The bags are packed on EURO pallets (80 x 120 cm) and transported in 20 ft (500 x 25 kg bags) or 40 ft (1000 x 25 kg bags) containers.

Trade and Macroeconomic Statistics

Trade statistics

An overview of the statistical analysis of the processed fruit and vegetables sector in the EU is given on CBI Trade Statistics for Processed Fruit and Vegetables.

Imports

Figure 1: EU imports of desiccated coconut, in thousand tonnes

![Graph showing EU imports of desiccated coconut from 2010 to 2014. The main contributors are Intra-EU, Developing Countries, and Rest of the world.]

Source: Eurostat
Figure 2: EU imports of desiccated coconut by country in 2014

Source: Trademap

Figure 3: Main external suppliers of desiccated coconut to the European Union € thousand

Source: Trademap

Figure 4: EU re-exports of desiccated coconut, in thousand tonnes

Source: Eurostat
Analysis and interpretation

- Over the last 5 years, imports of desiccated coconut to the EU grew by 19% in value and by 4.1% in quantity, reaching €207 million and 118,000 tonnes in 2014. This trend provides opportunities for new suppliers from developing countries.
- As desiccated coconut is not produced in Europe, all intra-EU imports come from countries outside the EU.
- EU imports of desiccated coconut are concentrated, with the 3 largest importers (the Netherlands, Belgium and Germany) accounting for 50% of all imports.
- The highest growth in imports in the last 5 years was in Croatia (84%), with imports rising from 32 tonnes in 2010 to a peak of 1326 tonnes in 2013. The growth in imports was significantly higher than EU average growth in Eastern European countries (Estonia, Romania and Czech Republic) and in Scandinavian countries (Finland and Denmark).
- The largest imports from countries outside the EU were from the Philippines (44% market share) followed by Indonesia (30%) and Sri Lanka (16%). In the top 10 European suppliers of desiccated coconut, the highest growth in imports over the last 5 years was from Ghana (79%), Malaysia (69%) and Singapore (51%).
- EU exports of desiccated coconut are not significant, and intra-EU exports represent 96% of total exports. All exports are re-exports of desiccated coconut imported from countries outside Europe.
- EU re-exports of desiccated coconut are highly concentrated, with the 2 largest exporters (the Netherlands and Belgium) representing 70% of total exports. The countries with the highest export growth in the last 5 years are similar to countries with highest import growth (Finland 50%, Bulgaria 48%, Slovenia 32%, Romania 26% and Czech Republic 24%).

Tips:
- In addition to targeting the main import hubs, consider diversifying your exports of desiccated coconut to fast growing markets, such as Finland and Eastern European countries.
- Compare your company with competitors in countries that are gaining market share in Europe, such as Ghana, Malaysia and Singapore.
- Although the leading importing countries (the Netherlands, Germany, Belgium and the UK) provide the largest opportunities for developing country exporters, new suppliers should be aware that competition is high from suppliers already established in those markets.

Production and consumption

Due to climate, coconut cannot be grown in the EU except for small quantities on small islands in the south of Italy and in overseas territories, such as French Guyana. Thus, there is no production of desiccated coconut in Europe and consumption is estimated as the difference between imports and exports.
Consumption of desiccated coconut in Europe declined between 2011 and 2013, and increased again in 2014. Consumption of desiccated coconut is directly related to world production of coconut and closely related to climatic conditions. Global production is estimated to average between 180 and 290,000 tonnes annually. The Philippines, Sri Lanka and Indonesia dominate global production. In the years when global production is high, prices decrease. In the years when production was affected by typhoons, supply was tighter. This was the case in November 2013 when production in the Philippines was damaged by super typhoon Haiyan, decreasing world supply and increasing prices. Producers in developing countries need to balance the world supply as much as possible to keep prices stable.

- The largest consuming countries in the EU are the United Kingdom, Germany and Spain. The largest growth in consumption in the last 5 years was in Croatia (83% growth since 2010).
- The largest consumer of desiccated coconut in Europe is the confectionary industry and a smaller quantity is re-packaged for the retail sale. Consumption of desiccated coconut in most European countries reaches a peak towards the year-ending months and the festive season culminating in Christmas and New Year.
- Sales of organic desiccated coconut and fair trade products are increasing in the Western European markets.
Trends in the EU desiccated coconut market

An overview of market trends for developing country exporters can be found on CBI Trends for Processed Fruit and Vegetables. Here is some additional information about specific products.

- Even as an exotic product in Europe, desiccated coconut is a traditional bakery ingredient in many European countries. Good examples are 'kokosmakronen' in the Netherlands or coconut macaroons in the United Kingdom. Similarly, desiccated coconut is widely used in products, such as breakfast cereals. In this regard, it may be compared to banana, another tropical fruit widely available and accepted. More recently, desiccated coconut has benefited from the rising interest in Asian cooking.

- The coconut is considered to be a healthy food, although there is some controversy about this because coconut oil contains only saturated fatty acids. There is a shift from fresh and desiccated coconut in the European market to value added forms of the product, such as roasted coconut chips and coconut water, as consumers seek an on-the-go product that fits their increasingly busy lifestyles.

- There is increasing demand for transparency in the origin, nutrition and quality of the product. In addition to these basic quality requirements, European buyers are looking for desiccated coconut with the intensive coconut flavour and aroma.

- Sales of organic desiccated coconut are increasing in the EU.

Tips:

- Closely monitor production in the Philippines because this determines world supply. On the European market, producers in the Philippines are achieving higher prices than suppliers from Indonesia and Sri Lanka. Try to achieve the same quality as leading suppliers in the Philippines.

- Instead of targeting the largest trading countries, such as the Netherlands and Belgium, exporters in developing countries can directly export to the large consuming countries, such as the United Kingdom, Germany and Spain. This approach needs to be carefully considered because many importers prefer to deal with established European traders.

- Regular information about coconut crops, processing and the market situation can be found on the leading European information service for processed fruit and vegetables, FoodNews.

- You can find information on international coconut production and processing on the website of the Asian and Pacific Coconut Community. More specifically, you can find or purchase information on production including daily price information for coconut products on the website of United Coconut Association of the Philippines.

- Anuga trade fair is the best place to monitor market trends and to meet potential prospects in Europe. The trade fair is held every two years in Cologne, Germany.

Buyer requirements

For an overview of EU buyer requirements, see CBI Buyer requirement for processed fruit and vegetables.

Specifically for desiccated coconut, consult the EU Export Helpdesk where you can select desiccated coconut under the specific HS code 08011100.

For information on commonly requested standards, check the International Trade Centre Standards Map, an online tool that provides comprehensive information on over 170 voluntary sustainability standards and other similar initiatives covering issues, such as food quality and safety. The most frequently requested standards are the regulation of food safety, such as FSSC 22000 and BRC that are more common on the UK market.
**Legal requirements**

All foods containing desiccated coconut sold in the European Union must be safe. This also applies to imported products. Additives must be approved. Harmful pesticide residues are banned. It should also be stated on the label whether a food contains allergens.

In the event of repeated non-compliance of specific products originating from particular countries, import conditions are stricter with a requirement for a health certificate and analytical test report. Products from countries of repeated non-compliance are listed in the Annex to the Regulation (EC) 669/2009.

The most common problems in importing desiccated coconut to the EU from developing countries are risk of contamination with microorganisms, such as Salmonella, and too high content of preservatives, such as sulphite. In 2014 and 2015, the European Rapid Alert System for Food and Feed (RASFF) reported 2 cases of Salmonella spp., one of streptococci in desiccated coconut from Indonesia, and one of undeclared sulphite in desiccated coconut from Malaysia. The common industry practice allows maximum 50 ppm content of SO₂.

**Labelling requirements**

In December 2014, EU Regulation 1169/2011 became effective. The new legislation prohibits misleading consumers and attributing to any food properties to prevent, treat or cure a human disease. Another change is allergens labelling. Where allergens have to be highlighted in the list of ingredients, requirements on allergen information also cover non pre-packed foods including those sold in restaurants and cafes. Nutrition information is also mandatory for most products. Coconuts and desiccated coconut are not on the mandatory list of allergens.

**Common and niche requirements**

- Food safety certification is commonly requested by EU importers. The most common certification schemes accepted on the European markets are IFS, FSSC22000 and BRC.
- Environmental protection, organic and fair trade certification schemes are becoming increasingly popular in the EU. For organic production, you could consider the IFOAM standard. The EU regulates organic food and drink produced and/or processed in the EU and organic goods from elsewhere (Commission Regulation (EC) No. 1235/2008 with detailed rules concerning import of organic products from third countries). These can readily be imported from non-EU countries with equivalent regulations on organic production and control as those in the EU. These countries are currently, Argentina, Australia, Canada, Costa Rica, India, Israel, Japan, New Zealand, Tunisia, Switzerland and the USA.

For all other non-EU countries, importers can have their organic products certified for import into the EU by independent private control bodies approved by the European Commission.

**Tips:**

- Raw, unprocessed coconut supports the growth of salmonellae that is resistant to subsequent desiccation. Original contamination can occur because of contact with bacteria-containing soils followed by dispersion via infected coconut milk and shells. Pasteurisation of raw coconut meat in a water bath at 80°C for 8 to 10 minutes effectively killed such bacteria and does not harm the product. This prophylactic method is now widely used by the coconut industry. Compliance with Good Hygiene Practice, Good Manufacturing Practice and Good Agricultural Practice is recommended and commonly requested by buyers for mills producing desiccated coconut. See Codex Alimentarius for Code of Hygienic Practice for Desiccated Coconut.
- To find the maximum residue levels (MRL) for desiccated coconut, use the EU MRL database which contains all harmonised MRLs. The maximum residue level for desiccated coconut is defined for 457 different pesticides.
- Check with importers and experts whether the food safety certification company used is approved by EU buyers.
- For an overview of the independent certification programmes aimed at environmental protection and corporate social responsibility (CSR), see the Mars supply chain, a leading confectionary producer and major consumer of desiccated coconut.
Product competition

As desiccated coconut is a common baking and confectionary ingredient and used in home baking and cooking, there are few direct competitive ingredients. However, there is increasing demand for several coconut-based products, such as coconut water, spray coconut oil, coconut milk, coconut vinegar and virgin coconut oil (VCO) that can affect demand for and supply of desiccated coconut.

According to insights from FoodNews and Rotterdam trader Catz International, direct product competitor on the supply side is virgin coconut oil (VCO) produced from the same white coconut meat as desiccated coconut. It is stated that two tonnes of desiccated coconut production capacity are lost for every single tonne of virgin coconut oil produced. The conversion of part of the production capacity of desiccated coconut to VCO production will have an increasing impact on desiccated coconut output.

Company competition

Exporters of desiccated coconut from developing countries should be aware of the main competitors in countries that are well-established producers and countries gaining market share in Europe. Apart from the Philippines, Indonesia and Sri Lanka, there are many other desiccated coconut suppliers in Vietnam, Singapore, Thailand and Malaysia. The offer from competing companies often includes other coconut products, such as coconut oil, milk, cream, flour, coconut water and water concentrate.

Tips:
- You can increase your competitiveness by extending your range of coconut products to include other products beside desiccated coconut.
- Try to find data on competitors from countries present in the European market. You can quickly make a selection by searching on export promotion organisations from competitor countries. The list of trade promotion organisations is available on the ITC website where you can search on the member companies promoted through specific organisations. More specifically, you can search the websites of Association of Philippine Coconut Desiccators (APCD) and the Sri Lankan Coconut Development Authority (CDA).

EU channels and segments for desiccated coconut

Figure 9: EU trade channels for desiccated coconut

Around 40% of imported desiccated coconut to the EU is re-packed and sold by the retailers (Figure 9). Usually, lower fat products are used for re-packing. The end consumers are HORECA sector and household consumers.
Around 60% of imported desiccated coconut is used by the food processing industry as an ingredient in end products.

The use of desiccated coconut by the processing industry is shown in Figure 10. The largest proportion of desiccated coconut is used in the confectionery industry as fillers for chocolate bars, and as ingredient in biscuits, toffees and chocolates. Larger cuts are used as snacks, which are sometimes sweetened and toasted. In the baking industry, desiccated coconut is used as an ingredient and for cake decorations.

Examples of the EU trade channels for desiccated coconut are:
- Importer (wholesaler): Catz International, QFN Trading and Agency, TM Duché & Sons
- Packer: Crazy Jack, Sainsbury’s, East End
- Processors: Nestle, Mars, Mondelez International, Ferrero

**Tips:**
- Although very small, the snack segment usually pays more for larger toasted cuts because this is the only final product aimed at immediate consumption. However, you need to diversify your offer to supply different market segments. European importers will pay more for desiccated coconut with high fat content.
- Dealing directly with a European processor will bring added value because there is no margin for connecting traders. Many confectionery companies do not usually buy directly and source desiccated coconut from well-established traders. Developing country exporters can carefully target the final segments as this is usually long way.

**Market prices**

Indication of margins based on final retail prices for desiccated coconut is not precise and exporters from developing countries can only gain a rough overview of price development. It is estimated that the CIF price represents around 25% of the retail price of a retail pack of desiccated coconut (which is usually packed in 250 and 300 g retail size). The best option to monitor prices is to compare your offer with that of the large competitors. Prices also differ between producing countries. Desiccated coconut from the Philippines as leading world supplier usually achieves higher prices compared to other producing countries because most European buyers consider this to be premium quality.

The highest price per tonne (metric ton) of desiccated coconut for a decade was achieved in February 2011. The price was US$ 3,128 (€ 2,784). This occurred after a price tumble from two years, in which the lowest price recorded was in July 2009 of US$ 1,085 (€ 966) per tonne.

Average price developments per ton of the leading supplying countries in 2015:

**Philippines:**
- **CFR:** € 2,500 and higher
- **FOB:**
  - Fine: between € 1,800 and € 1,900
  - Medium: between € 1,815 and € 2,021
  - Chips: between € 2,030 and € 2,250

**Indonesia:**
- **FOB:**
  - Fine grade: between € 1,515 and € 1,700
- **CFR:**
  - Fine grade: between € 1,900 and € 2,100
  - Medium grade: between € 1,960 and € 2,300

**Sri Lanka:**
- **FOB:**
  - Fine grade: between € 1,700 and € 1,800
- **CFR:**
  - Fine: between € 2,040 and € 2,250
  - Medium: between € 2,150 and € 2,440
  - Chips: between € 2,260 and € 2,620
CBI Market Intelligence

P.O. Box 93144
2509 AC The Hague
The Netherlands

www.cbi.eu/market-information
marketintel@cbi.eu

This survey was compiled for CBI by Globally Cool
in collaboration with CBI sector expert Freek Jan Koekoek.

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