CBI Product Factsheet:

Virgin Coconut Oil in Europe
Introduction

The European market for Virgin Coconut Oil (VCO) has grown significantly over the last years, driven by the growing attention that European consumers are paying to healthier diets. Initially available only through specialised shops, virgin coconut oil is becoming increasingly popular in mainstream supermarkets as well. Nonetheless, the industrial application of this vegetable oil remains very limited.

Product specification

Virgin coconut oil is obtained from fresh coconut milk, coconut meat or residue of the coconut (Cocos nucifera L.). Virgin coconut oil is rapidly gaining in popularity throughout the world, in comparison to ordinary coconut oil, as the virgin oil is extracted by a mechanical process without subjecting it into any chemical changes. This allows the oil to remain in its most natural form, retaining the fragrance and flavour of coconut, as well as its high content of vitamin-E, minerals and healthy medium-chain fatty acids. As a result, virgin coconut oil contains almost no trans-fatty acids. The presence of high amounts of lauric acids are especially valued. Virgin coconut oil has about 50% lauric acids, which have been associated with enhanced immunity. Virgin coconut oil is suitable for human consumption in its natural state.

Quality

General

- Virgin Coconut Oil is derived from the fresh and mature kernel (flesh) of the coconut.
- Make sure that the raw material (i.e. coconut) is at the right maturity (partially or completely brown). The coconut should be cleaned of metals, dirt and other foreign material.
- The quality of virgin coconut oil is determined largely by its moisture content and lauric acid content. Moisture content should not exceed 0.5%, and lauric acid content should range between 45.1-50.3%.
- Consult the Asian and Pacific Coconut Community Standards for Virgin Coconut Oil for further quality guidelines. The Philippine Coconut Authority has published a similar document, which also contains quality guidelines.
- Ensure proper extraction conditions (e.g. temperature, pressure/vacuum, flow rate).
- Virgin Coconut Oil should be colourless, sediment free, with natural fresh coconut scent and free from rancid odours or tastes.
- Virgin Coconut Oil cannot undergo chemical refining, bleaching or de-odorising processes. Good quality VCO should taste and smell like coconut; it should be fine oil and easily melted.
- Prevent adulteration and contamination by other foreign materials (e.g. dust) by keeping facilities and equipment clean.
- Ensure proper storage and transportation (see ‘Packaging’).

Organic (if relevant)

- Comply with organic standards for the production of the raw material: avoid use of synthetic pesticides, use only natural fertilisers, natural control of weeds, etc.
- Do not use solvents or other chemical substances during oil extraction.
- Preferably dedicate the processing plant to the production of organic oils only, in order to avoid contamination from non-organic particles. If this is not possible, ensure that machinery and equipment undergo thorough cleaning at all times.
- Refer to the section on ‘Niche requirements’ for further details on organic production and labelling.

Labelling

- Ensure traceability of individual batches.
- Use English for labelling purposes, unless your buyer has indicated otherwise.
- Labels must include the following:
  - Product name
  - Batch code
  - Whether or not the product is destined for use in food products
  - Declaration of allergenic substances
  - Name and address of exporter
  - Best-before date
  - Net weight
  - Recommended storage conditions
Organic (if relevant): Name / code of the certifying body and certification number.

- The name of the food on the label shall be ‘Virgin Coconut Oil’. The provisions of the General Standard for the labelling of Pre-packaged Foods (CODEX STAN 1 – 1985 [Rev. 1-1991], in the page of Standards) shall apply in cases where VCO is packed in the country of origin (i.e. in retail packaging). In this case, labels must also include the following:
  - Name of product
  - List of ingredients
  - Quantity / categories of ingredients
  - Net quantity (pre-packaged)
  - Date: minimum storage life
  - Special storage conditions / conditions for use
  - Business name and address
  - Particulars of origin
  - Instructions

Organic (if relevant): Must contain the EU organic logo. Read more about the EU organic logo here.

Packaging

- Virgin Coconut Oil is transported mainly in steel drums (180 kg). Buyers might have specific packaging requirements as well.
- The recommended consumer packaging material for VCO is glass, provided that the product is packed in the country of origin.
- Organic Virgin Coconut Oil should remain physically separated from conventional oils.
- The oil should not be subjected to heat or sunlight, in order to prevent alterations in quality.
- Ensure preservation of quality by:
  - Cleaning and drying the drums before loading the oil.
  - Refraining from loading rancid Virgin Coconut Oil.
  - Filling the drums as full as possible in order to avoid ventilation and light. This will prevent oxidation, thus rancidity.
  - Avoiding solidification by ensuring appropriate temperature control during loading, travel and pumping.

Trade and Macro-economic statistics

- The coconut is a tropical fruit, and the extraction of Virgin Coconut Oil usually takes place in the tropical regions where coconuts are produced. VCO is not produced in Europe, which makes it completely dependent on imports from tropical regions.
- The Philippines is one of the largest exporters of VCO, along with Sri Lanka, Indonesia, India, Thailand, Malaysia and Papua New Guinea. Other exporters, part of the Asian and Pacific Coconut Community (APCC) (responsible for over 90% of the world’s coconut production and exports of coconut products) are listed on the organisation’s website.
- Due to limitations in data, it is not possible to arrive at a precise calculation of the amount of virgin coconut oil exported from APCC countries to Europe. Producing countries do not mention virgin coconut oil specifically in their export reports, which are commonly aggregated to reflect general coconut oil exports (thus constituting a much larger product group).
- In order to address this limitation, examples of producing countries are presented as an illustration of the market.
- In contrast to conventional coconut oil, VCO does not require further refinement. It can therefore be exported directly to the end-consumer market, instead of having to undergo further refinement at a European processing facility, most of which are located in the Netherlands and Germany. This explains the difference in the leading destinations between conventional coconut oil and VCO.

Philippines

According to the Philippine Coconut Authority (2013), the Philippines’ coconut industry is highly export-oriented, and it absorbs around 70% of total value-added production.

In particular, virgin coconut oil is classified as one of the 30 non-traditional export products that contribute to the coconut industry’s earnings. It is among the five leading exports. Although the latest reported figures refer to 2012, they do reflect the sharp increase of the Philippines’ exports of virgin coconut oil in the period between 2010 and 2012.

In 2012, exports of virgin coconut oil amounted to 6.0 thousand tonnes, having nearly tripled from 2.7 thousand tonnes in 2010. This increase was driven largely by the rapidly growing international demand.
According to more recent figures relating to 2014 (United Coconut Associations of the Philippines, 2015), Philippine exports of virgin coconut oil continue to be destined primarily for the United States, which accounted for around 76% of the total exported volume, followed by Canada (10%) and Japan (5.3%). Europe remains a smaller export market for the Philippines. Germany accounted for 4.1% of total Philippine exports (183 tonnes), followed by the United Kingdom (2.4%; 107 tonnes). In total, Philippine exports of virgin coconut oil in 2014 amounted to 4.4 thousand tonnes, which reflects a decrease from 2012, closely related to the damage caused by Typhoon Haiyan in 2013.

**Sri Lanka**

Another important sourcing country for virgin coconut oil is Sri Lanka. As in the case of the Philippines, the portal of Sri Lanka's Sunday Times relates the growth of Sri Lankan exports of virgin coconut oil to the growing popularity of the product in the international market.

The latest figures available (published in 2012, International Trade Centre Trademap) indicate that Sri Lankan exports of virgin coconut oil reached around 1.6 thousand tonnes (bulk and packaged VCO). As in the case of Philippine exports, the major destination was the United States, which accounted for more than 85% of total exports. The United States was followed by European countries: United Kingdom (4%) and Germany (3%). Note that, in the case of packaged virgin coconut oil, Sweden played a modest role as well.

**India**

Exports of virgin coconut oil from India have also experienced rapid growth in recent years. Most Indian exporters are small and medium-sized companies that have started to engage in value-addition opportunities provided by virgin coconut oil. According to the Deccan Chronicle (2015), exports reached 816 tonnes in 2014/15. The Coconut Development Board indicates that the largest export markets are similar to those targeted by other VCO-producing countries: the United States, Japan and the United Kingdom.

Information on other producing countries is provided in the following presentation by the Asian and Pacific Coconut Community: Market and Trade of Coconut Products.

**Tips:**

- Learn more about the Philippines Virgin Coconut Oil production & exports by visiting the website of the Philippines Coconut Authority. The Asian and Pacific Coconut Community can also provide interesting information on the virgin coconut oil industry of other large producers.
- Identify your potential competitors and learn from them in terms of:
  - Marketing: website, social media, fair trade participation, etc. Examples of well-structured websites are Primex (Philippines), Smith Foods (Sri Lanka) and Tropical Nutrition (Thailand).
  - Product characteristics: origin, quality, taste, etc.
  - Value addition: certifications, processing techniques.
- Study your target market in order to make an educated decision when exporting Virgin Coconut Oil. It is important to understand factors such as product application, taste preferences, competing suppliers and potential buyers in the specific destination countries.
- General information for learning more about the European region can be found at CIA's World Factbook. Another interesting source is the website of Fedoil (Federation of the European Vegetable Oil and Protein Meal Industry).

**Market trends**

**Shift to healthier vegetable oils**

- Europeans pay increasing attention to the health properties of their everyday diet. With a vast amount of vegetable oils available in the European market and their intense use in cooking, the demand for healthier vegetable oils has emerged.
- New food products on the supermarket shelves are marketed in Europe as natural products to an increasing extent. The average European consumer views natural products as being healthy, of high-quality and minimally processed. Fuelled by an increasing demand for food quality, the search by European consumers for premium vegetable oils, such as ‘cold-pressed Virgin Coconut Oil’, has increased during recent years.
- The terms ‘cold-pressed’ and ‘virgin’ stand for special production processes, and are often associated with keeping the natural properties of the oil intact, and with being healthier for human consumption, in comparison to conventional coconut oil.
An image overhaul for VCO

- Historically spoken, coconut oil has had a bad name in the European food market. It was emphasised that it contained unhealthy saturated fats, which led to lower European demand for coconut oil in the past.
- However, in the past decade, health studies on coconut oil have spread more light on its positive properties. Virgin Coconut Oil, in particular, experiences an image overhaul in Europe due to its cold-pressed and virgin nature. The product has a very large proportion of lauric acid (around 50%), which is perceived to contribute in reducing cholesterol levels. Although further research is still needed to substantiate this health claim, virgin coconut oil is now generally perceived as a healthy vegetable oil.
- In the meantime, VCO has found its way into health food shops and ethnic stores in Western European countries. The health-benefitting properties of VCO are gradually being recognised and demand increases every year.

Niche market opportunities: diabetic foods

- In addition to the intrinsic health properties of VCO, attention has been shifted to the possible effects of this product on fighting diabetes. These possible positive effects on combating diabetes offer opportunities for VCO exporters in the niche market for diabetic foods.
- Virgin Coconut Oil helps to control blood sugar and improves the emission of insulin. It also helps in effective utilisation of blood glucose, which can help to prevent diabetes. Additionally, coconut oil is low on the glycaemic index (GI), a characteristic which is often sought after by diabetic consumers in certain foods.
- Even though there is a small group of consumers seeking special diabetic foods, the prospective of it growing in the coming years in Europe, is very likely. In particular, according to OECD data, diabetes is increasing rapidly in Europe. It is estimated that 33 million of the population aged 20-79, in European countries, suffered from diabetes in 2010. In less than 20 years, this number of people will rise to more than 37 million.

Tip:
- For information on diabetes, you can visit the website of the International Diabetes Federation. As for market opportunities stemming from this condition, events such as the Diabetes UK Exhibition could be an interesting source for information. Check out its exhibitor’s list in order to be informed on what types of companies could present potential for partnerships.

With which legal requirements must my product comply?

Maximum level for erucic acid in oils and fats: European legislation fixes a maximum level of erucic acid in oils and fats intended for human consumption.

Tip:
- Check out the maximum levels for erucic acid in the EU Export Helpdesk.

Extraction solvents for food: There are EU rules for the marketing and application of extraction solvents used in the production of foodstuffs and food ingredients.

Tip:
- Find out which Extraction solvents for food you can use and the conditions for use.
Contaminants in food: The EU has laid down maximum levels of contaminants in food, including ingredients such as vegetable oils.

**Tip:**
- Read more about [contaminants in the EU Export Helpdesk](https://www.exporthelpdesk.eu/services/food-contaminants), and consult the European Commission’s factsheet on food contaminants: [Managing food contaminants: How the EU ensures that our food is safe](https://ec.europa.eu/commission/presscorner/detail/en/ip-16-5350).

Maximum Residue Levels (MRLs) of pesticides in food: EU legislation has been laid down to regulate the presence of pesticide residues (MRLs) in food products.

**Tip:**
- If the agricultural raw material (coconut) for your oil has been treated with pesticides, verify that residues remain within limits. For additional information, read about [MRLs in the EU Export Helpdesk](https://www.exporthelpdesk.eu/services/pesticide-residues).

Additives, enzymes and flavourings in food: The EU has set a list of permitted flavourings and requirements for their use in foodstuffs intended for human consumption, which includes vegetable oils. This is particularly relevant to food manufacturers. However, insight into this legislation can help you to understand their requirements.

**Tip:**
- Familiarize yourself with the concerns of the end-users of your products by checking EU legislation on [Additives, enzymes and flavourings in food](https://ec.europa.eu/food/). 

Hygiene of foodstuffs: Food business operators shall put in place, implement and maintain a permanent procedure, or procedures, based on the HACCP (Hazard Analysis and Critical Control Points) principles. This also applies to the import of food to the EU and export from the EU.

**Tip:**
- Ensure compliance with EU legislation on [Hygiene of foodstuffs (HACCP)](https://ec.europa.eu/food/). 

Labelling: In case you are supplying consumer labelled products (in for example bottles and containers) you will have to take into account labelling requirements laid down in [EU Regulation 1169/2011](https://ec.europa.eu/food/).

**Tip:**
- Read more about food labelling in the [EU Export Helpdesk](https://www.exporthelpdesk.eu/). 

What additional requirements do buyers often have?

**Food safety management:** Buyers commonly require their suppliers to have a quality/food safety management system in place. These systems require companies to demonstrate their ability to control food safety hazards in order to ensure that food is safe at the time of human consumption.

**Tip:**
- Suppliers can apply a basic HACCP system. However, if they aim to supply food manufacturers more directly, it is necessary to have a certified food safety management system recognised by the Global Food Safety Initiative, such as ISO 22000, British Retail Consortium (BRC) or International Featured Standards (IFS) - Food. Visit the website of the [Global Food Safety Initiative](https://www.globalfoodstandards.org/) for more information.

What are the requirements for niche markets?

**Regulation (EC) 834/2007 on organic agriculture:** The EU has established requirements on the production and labelling requirements with which an organic product of agricultural origin must comply in order to be marketed in the EU as “organic”. 

Tip:
- Familiarize yourself with the concerns of the end-users of your products by checking EU legislation on [Additives, enzymes and flavourings in food](https://ec.europa.eu/food/).
Tips:
- In general, the market for organic virgin coconut oil continues to be a niche segment. If you do choose to obtain a certificate for organic production, refer to the EU Regulation for organic production and be sure that your organic certification is harmonised with the EU/EFTA legislation.
- For information on organic certification in Europe, visit the website of Organic Farming in the European Union.

Fair Trade: FLO International is the leading standard-setting and certification organisation for Fairtrade. Products which carry the Fairtrade label indicate that producers are paid a Fairtrade Minimum Price. FLO has a minimum price for coconuts (raw material for coconut oil). Other fair trade standards available in the European market are Fair Trade Ecocert and IMO’s Fair for Life.

Tips:
- Before jumping into Fairtrade certification, make sure to assess (in consultation with your potential buyer) if this label has sufficient demand in your target market and whether it will be cost beneficial for your product.
- Although FLO certification is the leading fair trade certification scheme in Europe, you can also check out other schemes such as IMO’s Fair for Life and Ecocert Fair Trade.

Market channels and segments

Market channels

Figure 1: Trade channels for Virgin Coconut Oil (VCO) in Europe

- VCO is speciality oil which is traded in much smaller volumes when compared to the large commodity oils such as conventional coconut oil.
- One main characteristic which differentiates the trade channels between conventional and VCO is the fact that VCO does not go through a refining process, which is usually done by a European refinery in the case of conventional oil.
- Having that in mind, the choice of trade channel will also depend on the specific characteristics of your product, as discussed below.
- In general, centrifugally-processed VCO is destined for food manufacturers, due to the consistency in the product’s quality and properties.
- VCO obtained by the expeller method or low-pressure oil extraction, on the other hand, is mostly directed to the distributors for direct sales. It is increasingly common for the manufacturing and packaging processes of VCO to take place in the producing country, at the small and medium-sized enterprise level. Nonetheless, the actual market entry step which is most common for exporters of VCO, takes place via a broker or an importer.
Market segments

The application of Virgin Coconut Oil (VCO) within the food sector ranges from applications in canned/bottled food and infant formula to confectionery and bakery. These applications can be segmented into two distinct categories: consumer market and food industry.

- **Consumer market** refers to the largest market segment, where the end consumer has direct access to packaged VCO in retail outlets, for instance as cooking oil. Although VCO was previously sold mainly through specialised retailers (e.g. health shops) in Europe, most mainstream supermarkets in Western Europe now offer the product as part of their assortments.

- **Food industry** refers to the market segment where vegetable oils are used as ingredients to be further processed into food items, e.g. confectionery products. The market for diabetic foods offers an interesting niche market. Nonetheless, industrial applications of virgin coconut oil have remained limited, due to its price and taste profile.

Virgin Coconut Oil can be further segmented into commodity and speciality. However, Virgin Coconut Oil is not traded as a commodity, thus a distinction within the speciality segment could be made between conventional and certified oil (as mentioned in Figure 3). The main certification standards applicable to Virgin Coconut Oil are described under the ‘Non-legislative requirements’ section of this factsheet.

**Figure 2: Segmentation of Virgin Coconut Oil (VCO) in Europe**

- Food market segmentation
  - Consumer market:
    - Cooking oil, dipping sauce, dietary supplement
  - Food manufacturing:
    - Confectionery, health foods (e.g. diabetic foods)

- Commodity
- Specialty
- N/A
  - VCO is not traded as a commodity
- VCO oil is considered as a speciality oil, either conventional or certified.
  - Virgin, cold-pressed
  - Certification schemes: organic, fair trade, organic plus

**Interesting sources**

- The EU Vegetable Oil and Protein Meal Industry: [www.fediol.eu](http://www.fediol.eu)
- The Food and Agriculture Organisation of the United Nations has a variety of agricultural databases: [faostat3.fao.org](http://faostat3.fao.org)
- For information on the latest market developments in the oilseeds sector, visit The Public Ledger: [publicledger.agra-net.com/oils](http://publicledger.agra-net.com/oils)
• The Philippine Coconut Authority (PCA): www.pca.da.gov.ph
• The Asian and Pacific Coconut Community (APCC): http://www.apccsec.org