Entering the European market for palm oil alternatives

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To enter the European market for palm oil alternatives you must meet mandatory requirements set by the European Union. At the same time, also consider meeting the common additional requirements that European buyers and niche markets have, as this gives you an advantage in your journey to enter the European market. The European market for palm oil alternatives is divided into three segments, providing different channels you can enter through. When entering the European market, you will face competition from other countries, companies and products. Prices of palm oil alternatives vary; coconut oil prices have remained stable whilst prices of babassu oil have increased slightly in recent years.

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1. What requirements must palm oil alternatives for cosmetics comply with to be allowed on the European market?

What are mandatory requirements?

As an exporter of palm oil alternatives in a developing country, your palm oil alternative can only be exported to the European cosmetics market if it is compliant with the European Union's (EU) mandatory legal requirements for natural ingredients for cosmetics. These regulations include:

- Cosmetic Regulation (EC 1223/2009) is the central regulatory framework for cosmetic products for the European market, covering the safety and effectiveness of cosmetic products. Claims concerning sunscreen products have specific requirements.
- Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)
- EU Commission Regulation (EU) No 655/2013 requires claims for a cosmetic product (explicit or implicit) to be supported by sufficient and provable evidence.
- The EU has packaging and labelling requirements for chemicals based on the Globally Harmonised System of Classification and Labelling of Chemicals (GHS) outlined in its Classification, Labelling and Packaging (CLP) Regulation (EC) 1272/2008.

Tips:

See the CBI study on requirements for natural ingredients for cosmetics. Here you will find more information on mandatory and additional requirements you need to comply with when exporting palm

oil alternatives to the European market.

Provide European buyers detailed information about your palm oil alternative; this includes information about its physical and chemical, microbiological and toxicological characteristics, and animal testing. This is because European buyers need to include this information in a "Cosmetic Product Safety Report" and a "Product Information File".

The European Commission Trade Help Desk provides a complete list of requirements. Enter the HS Code of your palm oil alternative and review the assistance provided. Coconut oils HS Code is 151311 and babassu oils is HS Code is 15132920.

Technical Documentation

In order to comply with the EU's legal requirements, European buyers of palm oil alternatives for cosmetics need you to provide a well-prepared technical dossier. This is also essential in order to meet mandatory regulations when exporting to the EU. The technical dossier usually includes:

- Technical Data Sheet (TDS),
- Safety Data Sheet (SDS)
- Certificate of Analysis (COA)

Tips:

Review the CBI study on how to prepare technical dossier for cosmetics ingredients as it provides comprehensive information and guidance on preparing a technical dossier.

Review the example Technical Data Sheet and Certificate of Analysis for babassu oil and Safety Data Sheet for coconut oil respectively.

CITES (Convention on International Trade in Endangered Species of wild fauna and flora)

To enter the European market, you must comply with the requirements on trading plant resources agreed internationally under the Convention on International Trade in Endangered Species of wild fauna and flora (CITES) convention. This is because the EU has translated CITES into EU law under Regulation No 338/97.

CITES has a list of plant species that you cannot export/import or for which export/import is restricted. Check if your palm oil alternative is listed in Annex A and Annex B of Regulation (EC) No 338/97. If it is listed, then you must get an export permit from your country's CITES authority.

Tips:

Visit the CITES website to learn more about CITES. Doing so will give you a better understanding of expected legal requirements.

Determine if your palm oil alternative requires import and export permits to enter the European market. Do this by checking CITES Annexes.

Obtain export permits if your palm oil alternative requires one to enter the European market. Do this by contacting the relevant CITES authority in your country. Be aware that you might need an import permit of the country you are importing to. If that is the case, contact local authorities for further assistance.

Regularly check for updates to EU Regulation No 338/97. Do this by visiting the European Union's EUR-Lex database.

Convention on Biological Diversity (CBD)/Access and Benefit-Sharing (ABS)

To export palm oil alternatives to the European market you must comply with requirements on using plant resources agreed under international treaties and protocols within the Convention on Biological Diversity (CBD). This is because the CBD is a part of EU law, and your own country is likely to be a signatory, meaning you need to comply in order to meet your country's laws as well.

The Nagoya Protocol's Access and Benefit-Sharing (ABS) provides guidelines for accessing and utilising genetic resources and traditional knowledge and the fair and equitable sharing of benefits. Similar to the CBD, European companies need to comply with ABS legislation; ABS is also likely to be a part of your country's regulations. As an exporter of palm oil alternatives to the cosmetics sector, make sure you abide by ABS.

In recent years, there is growing consumer awareness and demand for more environmentally-friendly products, and this trend is set to continue. This is leading European buyers to seek ethically sourced ingredients, something which is likely to become more important in the future.

Tip:

Visit the CBD website as it provides a range of useful information on CBD and ABS. For example, the country profile function provides information on your country's position on CBD and ABS, giving you more knowledge about exporting from your country.

What additional requirements do buyers often have?

Quality requirements

European buyers in the cosmetics industry are increasingly demanding palm oil alternatives have the finest quality. You should therefore ensure your palm oil alternative meets good and reliable standards in raw material production and manufacturing, something you can do in several ways.

There are several indicators that are used to assess the quality of coconut oil. These include

- Colour - Coconut oil should have white colour when solid and water clean when liquid. Discolouration is a sign of contamination (mould or smoke residue) or excessive heating during processing,
- Cleanliness - coconut oil should be clean and free from any additives and extraneous matter,
- Consistency - Coconut oil should have smooth consistency without too many small pieces. The melting point of coconut oil is around 24 degrees Celsius.
- Smell - Mild coconut oil smell and taste. Coconut oils should not have roasted smell.

Other important indicators of coconut oil quality are:

- Moisture content
- Free fatty acid content
- Oil content

In the case of babassu oil, there are no official grading or quality standards available for the cosmetics sector. However, Codex Alimentarius sets composition standards for babassu oil.

One way to do this is by following Good Agricultural and Collection Practices (GACP) before processing your raw materials if you cultivate or collect them; something you should do. Consider going one step further by following the Good Manufacturing Practices (GMP) developed by the European Federation for Cosmetic Ingredients. This is because doing so shows the superior quality of your palm oil alternative along with adding credibility to your claims.

Tips:

Consider following Good Agricultural and Collection Practices (GACP) and Good Manufacturing Practices (GMP) developed by the European Federation for Cosmetic Ingredients. This is because it demonstrates the good quality of your palm oil alternative.

Adopt quality standards, such as ISO 22000 and ISO 9001:2015 respectively and FSSC 22000. Other common guidelines include guidelines outlined in Good Agricultural and Collection Practices and Hazard Analysis & Critical Control Points. Examples of exporters of palm oil alternatives doing this are Andy Albao CocoWonder and Sari Mas Permai.

Labelling and packaging

Along with complying with the EU's mandatory Classification, Labelling and Packaging (CLP) Regulation (EC) 1272/2008, consider meeting the additional labelling and packaging requirements that European buyers commonly have. This includes listing the following on your product documentation and labels in English unless asked otherwise:

- International Nomenclature Cosmetic Ingredient (INCI) name and product name
- Name and address of exporter
- Batch code
- Place of origin
- Date of manufacture
- Best before date
- Net weight
- Recommended storage conditions
- Organic certification number along with the name/code of the certifying inspection body if you export organic palm oil alternatives.

European buyers require high-quality palm oil alternatives, so consider preserving the quality of your palm oil alternative by doing the following when it comes to packaging:

- Using high-density polyethylene (HPDE) drums or steel drums.
- Ensuring packaging materials such as drums are clean and dry before palm oil alternatives are put into them.

- Filling packaging materials such as drums as much as possible in order to prevent rancidity.

Additionally, the quality of your palm oil alternative can be preserved in several other ways. For example, coconut oil should be kept at an appropriate temperature throughout its supply chain and not be subjected to heat or sunlight.

Tips:

Find out if European buyers have specific labelling and packaging requirements in addition to the mandatory requirements. If they do, consider meeting them as this will give you an advantage in your journey to enter the European market.

Consider recycling or re-using packaging materials, for example by using drums made of recyclable materials, such as metal. This is because environmental sustainability is becoming increasingly important for European buyers.

Ensure certified organic palm oil alternatives and conventional palm oil alternatives are physically separate in order to prevent contamination.

Payment terms

Payment is central to all trade and presents risks to all parties. Before trading with European buyers do risk assessments of available payment terms. As an exporter of palm oil alternatives minimise your risks whilst working to meet the needs of European buyers.

There are several methods of payment. However, for both importers and exporters, Letters of Credit (LC) are considered to be the safest payment terms. This is because an LC lets both parties contact a neutral arbitrator, usually a bank to resolve any issues. For the exporter, the chosen bank is a guarantor of full payment as long as goods have been dispatched. In such instances, to avoid further losses, exporters should find new buyers and pay for the return of dispatched goods.

Based upon their needs, importers and exporters can choose from several LC payment terms. These include standby, revocable, irrevocable, revolving, transferable, un-transferable, back to back, red clause, green clause and export/import. For exporters, standby LC is considered the safest, with it being frequently used in international trade. This is because it provides security to both importers and exporters who have little trading experience with each another. Other payment terms include cash in advance, documentary collections and open account.

Tips:

Minimise your risks when negotiating payment terms. Make sure you carry out necessary due diligence on your potential buyers.

See the CBI study on organising your export of natural ingredients for cosmetics to Europe. This is because it provides guidance on available payment terms used in this sector.

Delivery terms

When agreeing delivery terms with European buyers, you must carefully consider three important factors: delivery time, volume and cost. This is because failure to meet agreed delivery terms could end of your trading relationship with European buyers.

1. Delivery time - As an exporter, you should understand that European buyers prefer shorter delivery times. Air cargo is usually faster than sea freight. Air freight is also more reliable in regard to on time delivery. It is important to note delivery times are likely longer because of the global COVID-19 pandemic; reasons for this include forced quarantine measures and restrictions on the movement of goods.
2. Delivery volume/ quantity of order - The volume of your order is an important factor to take into consideration when choosing a mode of transport. Larger quantities are often cheaper to ship by sea. With smaller volumes, air freight can be less expensive, as margins get smaller.
3. Cost of delivery method - It is estimated that sea freight is usually 4-6 times cheaper than air freight. This applies to larger volumes. It is not likely that price of your cargo will increase substantially, if you increase the volume. Note, the COVID-19 pandemic has increased the cost of air freight; this is likely to change once passenger flights are fully operational.

Tips:

Learn about Incoterms. This knowledge will help you when negotiating payment and delivery terms with your potential buyers.

Speak to your logistics provider about what the global COVID-19 pandemic means for you before agreeing terms with European buyers.

What are requirements for niche markets?

Organic and fair trade

European consumers are increasingly demanding natural and organic cosmetics, a trend set to continue. To meet this consumer demand, a growing number of cosmetic companies are either developing certified products and / or using certified ingredients in their product formulations. At the same time a growing number of cosmetic products and raw materials are being certified according to natural and organic standards. The most popular are:

- NaTrue
- COSMOS

Fair trade is also becoming popular among European cosmetic manufacturers, as the environmental and social attributes of sustainability are becoming increasingly important. Examples of various fair trade standards include:

- Fairtrade International
- Ecocert Fair Trade and Fair for Life
- FairWild

Tips:

Consider acquiring natural and/or organic certification for your palm oil alternative as this will likely give you an advantage in your journey to enter and trade on the European market.

Visit the NaTrue website and the COSMOS website and review the information they provide on acquiring natural and/or organic certification for your palm oil alternative.

Inform European buyers of palm oil alternative if you have acquired natural and/or organic certification. Doing so is likely to improve your appeal to European buyers, making it easier for you to enter the European market.

Visit and review the information available on the ITC Sustainability Map about certification schemes in the sector.

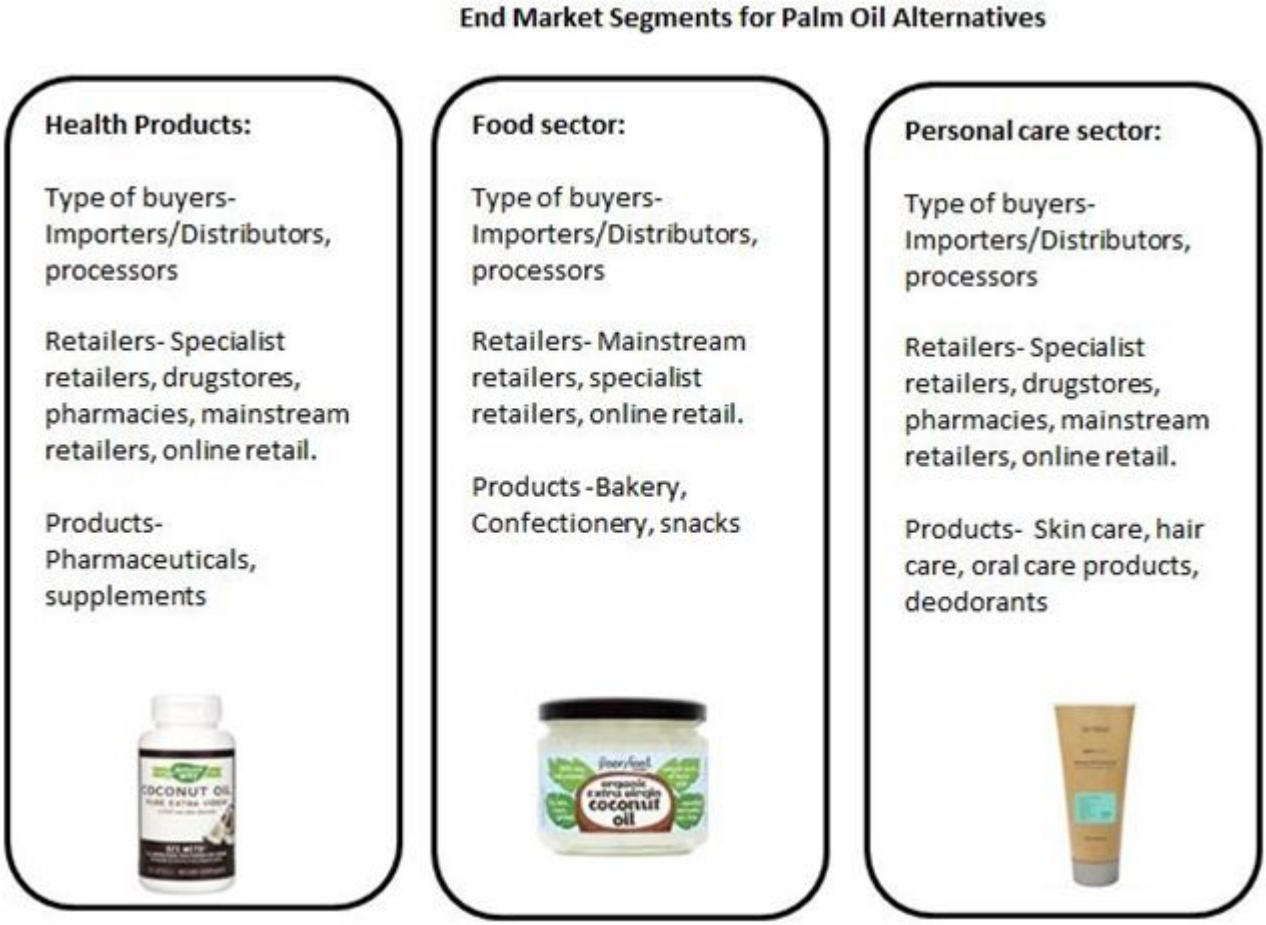
2. Through what channels can you get palm oil alternatives on the European market?

The majority of coconut oil imports come from the Asian region, while babassu oil is produced in Latin America. The supply chain is established for palm oil alternatives. Palm oil alternatives, such as coconut oil and babassu oil, have applications in the food industry, cosmetic industry and other non-food industries.

How is the end-market segmented?

The market for coconut oil and babassu oil in Europe can be segmented according to end-user markets. These include the personal care, food and health product industries. See figure 1 ‘examples of coconut oil products on the European market’. This study deals with coconut oil and babassu oil used by the cosmetics industry.

Figure :1 Examples of coconut oil products on the European market



Source: Various

Personal Care Sector

Coconut oil is often used in the cosmetic industry because of its lauric acid (C:12) content. Lauric acid is known to possess anti-viral, anti-bacterial and anti-protozoal qualities. Coconut oil is used mainly in skin and hair care products due to its ability to moisturise and condition the hair, boost its growth, and leave it looking shiny. It is also an important ingredient in soap production as an alternative to palm kernel oil. Coconut oil is used to produce surfactants such as cocamidopropyl betaine, cocamide MEA, and cocamide DEA.

Babassu oil is also used in the cosmetics industry because of its high content of lauric and myristic acid, which forms a protective and soothing film on the skin. Its moisturising properties make it suitable for itchy, dry and irritated skin. Babassu oil is used as an ingredient in lotions, balms, face creams, body lotions, lip balms, soaps, as well as shampoos. The cosmetics industry is the second largest segment for coconut oil and primary sector for babassu oil.

The European coconut oil market is expected to grow in the coming years. A key driver for this growth is that coconut oils are increasingly used as an ingredient in the cosmetics industry. The European babassu oil market is also expected to grow in the coming years, also because of its increasing use in the cosmetic industry. At the same time, natural ingredients are gaining popularity in the cosmetics industry. You should therefore consider acquiring certification proving your coconut/babassu oil is natural; for example Nature and/or COSMOS certification. Doing so will increase your chances of entering the European market.

Food Sector

Refined coconut oil is prepared on an industrial scale and is widely used in the manufacture of biscuits, chocolates, ice creams, margarine and confectionery products. It can also be used for frying in a small-scale setting, but it is not suitable for industrial frying. The majority of coconut oil is used in the food sector. Coconut oil is also sold directly to the end-user market. Virgin coconut oil is more commonly used in this segment. Babassu oil is also used in food products such as baked goods, icings and waffle fillings and it is also used to produce margarine. The food industry nearly held a 58 percent share of the global coconut oil market in 2017.

Health Products Sector

Coconut oil is also used in the health products sector. This is because Coconut oil can increase the metabolic rate and the speed at which fats are broken down. It may also provide antioxidant benefits and help you lose weight. It is also a source of medium-chain triglycerides. Coconut oil is sold in capsulated form. Fractionated coconut oil is also used in the health products sector.

Coconut oil and babassu oil are also used as a feedstock for biodiesel and other non-food sectors.

This study deals with coconut oil and babassu oil used in the cosmetic industry.

Tips:

Familiarise yourself with the beneficial properties that palm oil alternatives offer to the cosmetic industry as these make up the main selling points for the European market. For example, coconut oil's lauric acid content and babassu oil's high lauric and myristic acid content respectively.

Visit trade fairs to test if the industry is open to your product, get market information, and find potential buyers. Trade fairs will also give you the chance to speak to end-users and distributors, and to gauge your competition, especially the way they are marketing their products.

See the CBI study 8 tips for finding buyers on the European cosmetics market for an overview of trade fairs in this sector.

Through what channels do palm oil alternatives end up on the end-market?

Figure 2 shows the export value chain for palm oil alternatives, such as coconut and babassu oil.

The major coconut oil producing countries are India, Indonesia, Papua New Guinea, the Philippines, Solomon Islands, Sri Lanka, Thailand and (West) Malaysia. The Philippines and Indonesia are leading exporters to the EU. After coconuts are collected, the flesh is scooped out and dried, which can be as simple as solar drying, drying on a rack over a fire or a drying chamber. The drying process can take up to 4 days. The copra is bagged and taken to a large-scale industrial oil-feed, where the extraction process begins. Coconut oil is processed as virgin coconut oil or copra coconut oil, which is refined, bleached and deodorized (RBD).

Importer/Distributor

The main entry points to the European palm oil alternatives market are importer/distributors. European importers often deal in a wide range of natural ingredients. Their expertise is in the global sourcing and storing of natural ingredients, checking product quality and ensuring documentary and regulatory compliance. They usually sell to processors and cosmetic product manufacturers. Some importers also act as bottlers and processors of palm oil alternatives.

Major importer/distributors of coconut and babassu oil for the cosmetics industry include IMCD, Gustav Heess and SanaBio. Larger importer/distributors such as IOI Loders Croklaan, ADM and Cargill tend to mainly supply the food industry.

Agent

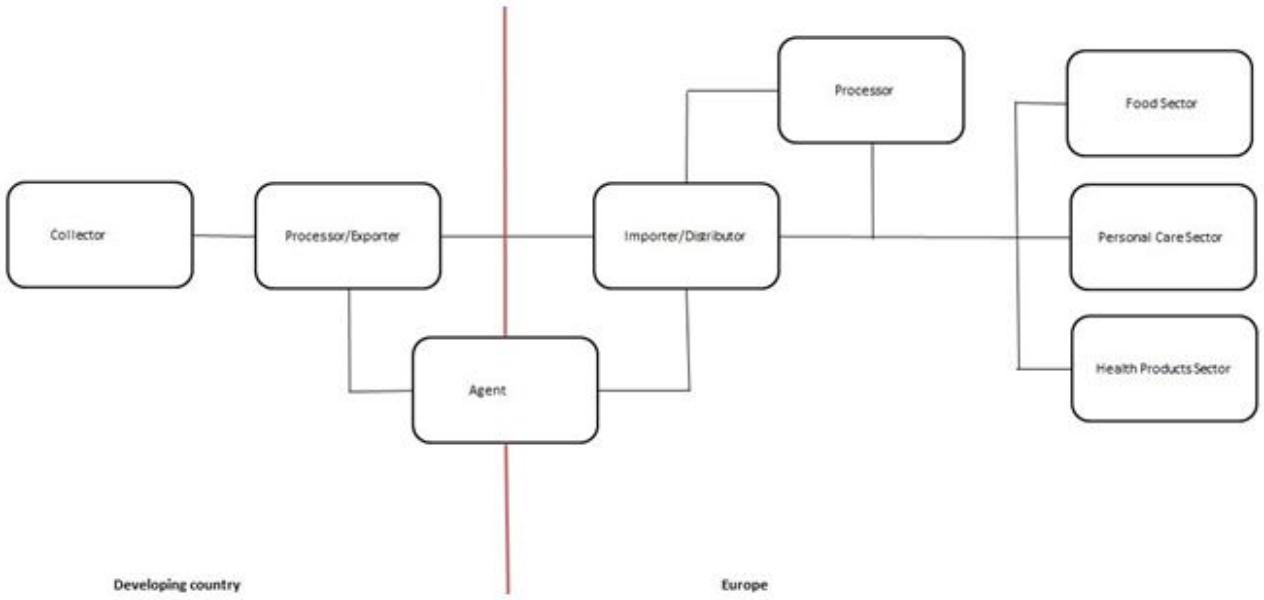
An export agent is a firm or an individual that undertakes most of the exporting activities on behalf of an exporter, usually for a commission. Agents can be found in developing countries as well as in Europe; however, it is uncommon for companies to use agents in the European market. As an exporter in a developing country, you can work with agents who represent and act on your behalf on the European market.

Processors

European processors also directly source palm oil alternatives from developing countries through sourcing projects. The German company Gustav Heess does this through its babassu oil sourcing project as it cooperates with a non-commercial cooperative in the Maranhã state of Brazil.

Large cosmetic companies can also set up direct sourcing projects. For example, The Body Shop has been sourcing babassu oil directly from an agricultural cooperative of Lago de Junco (COPPALJ) since the mid-1990's. Examples of cosmetic companies using coconut and babassu oil and their derivatives in their formulations include L'Oréal, Lush, and Weleda.

Figure 2: Export Value Chain of Coconut and Babassu Oil



Source: Ecovia Intelligence

Tips:

Consider expanding your palm oil alternative portfolio by including organic coconut and babassu oil, for example, as this is likely to help you find a wider range of customers. Other benefits of having a wider portfolio include it giving you more attention on the market, thus making you stand out from your competition.

Be prepared to meet buyers who are interested in directly sourcing palm oil alternatives from your country if you are able to supply higher volumes (in tonnes).

Visit trade shows where you can find European buyers for palm oil alternatives. Examples include InCosmetics and Vivaness.

What is the most interesting channel for you?

As an exporter of palm oil alternatives, importers/distributors are the most interesting channel for you. This is because importers/distributors have expertise importing and distributing natural ingredients, and they have integrated supply chains. Because of their wide customer base, importers/distributors often require a range of palm oil alternatives, leading them to have a wide product portfolio. European cosmetic companies usually source coconut and babassu oil through importer/distributors, with this being another important reason why importers/distributors are an interesting channel for you.

Tips:

Target importers/distributors of vegetable oils in Europe. There are also importers/distributors that focus specifically on certified ingredients.

Invest in the quality of your products before entering the European market. You have to ensure your palm oil alternative complies with international standards along with developing a technical dossier for it. This is because European buyers lose interest with new suppliers who have a low-quality product.

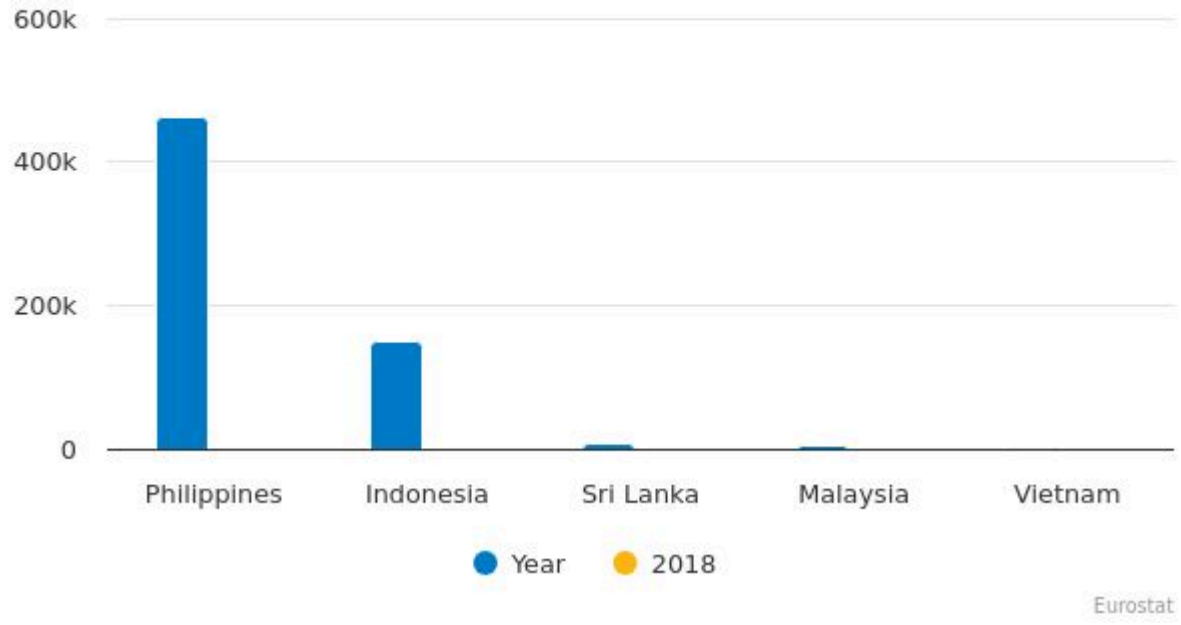
See the CBI Study on finding buyers on the European cosmetics market because it helps you find buyers in channels you can enter the European market through. In particular importers/distributors who are your main entry point into the European market.

3. What competition do you face on the European palm oil alternatives market?

What countries are you competing with?

Figure 3: Main exporters of coconut oil to Europe, 2018

in tonnes



Developing countries successfully exporting palm oil alternatives such as coconut oil and babassu oil to the European market often share several key strengths which is important to their success. Key strengths countries often share include favourable climatic conditions, improving infrastructure and governmental support.

The Philippines

Eurostat data shows the Philippines was the largest exporter of coconut oil to Europe in terms of volume in 2018. Coconut cultivation in the Philippines began in 1642, and by the 20th century it had become an important commercial agricultural crop. As a result, the Philippines has a well-established coconut oil industry. European businesses view the Philippines favourably, with companies interested to explore various trade and investment opportunities. European buyers see the Philippines as a reliable supplier of coconut oil, but they sometimes experience issues with delivery times.

Major strengths of the Philippines include its vast coconut planting areas and weather conditions that facilitate coconut production. Thus, it could be relatively easy for Filipino coconut oil producers to raise exports to the European market. However, the Philippines also faces challenges, including low rates of investment, as well as inadequate and outdated infrastructure and corruption.

Indonesia

Eurostat data shows Indonesia was the second largest exporter of coconut oil to Europe in terms of volume in 2018. Indonesia has a well-established coconut oil industry. A major strength is that it has ideal weather conditions for its growth. Indonesia's other key strength is its government's investments to develop its coconut industry. For example, it provides support to smallholder and commercial farmers to harvest and/or cultivate and trade coconuts.

It could become easier for Indonesian coconut oil producers to export to the European market. However, challenges that Indonesia's coconut industry faces include decreasing coconut productivity due to ageing palms and the coconut production model having a low replanting incentive. The EU is Indonesia's third largest trading partner, meaning there are established business ties. In case of commodities such as coconut oil, Indonesia is seen as a reliable business partner.

Sri Lanka

Eurostat data shows that Sri Lanka was the third largest exporter of coconut oil to Europe in terms of volume in 2018. Sri Lanka has a structured coconut industry supported by the government and together they made a strategic plan to increase yields, which includes industry performance and issues to resolve. The issues described are low production and productivity of coconut lands, poor supply of high-quality seeds, high rates of pests and diseases and a lack of machinery, equipment and skilled labour.

Thus, it may become easier for Sri Lankan coconut oil producers to export to the European market as this strategic plan is put into action. However, challenges the Sri Lankan coconut industry faces include production being vulnerable to climate change and a lack of infrastructure. In recent years, there has been an improvement in business ties between Sri Lanka and the EU, with Sri Lankan exports to the European increasing. European companies are viewing Sri Lanka more favourably. Sri Lankan companies usually speak fluent English, which makes business communications easier.

Malaysia

Eurostat data shows Malaysia was the fourth largest exporter of coconut oil to Europe in terms of volume in 2018. Malaysia's key strengths include having the ideal weather conditions for growing coconut and its government's commitment to helping the coconut industry, with it recently allocating money to support and develop the Malaysian coconut industry. As such, it could become easier for Malaysian coconut oil producers to export to the European market.

A major challenge the Malaysian coconut industry faces, however, is new varieties of coconut seeds being expensive for small farmers who have limited budgets to purchase along with often being unsuitable. Other challenges Malaysia faces include increasing labour costs, corruption, and overwhelming bureaucracy. Malaysia is a member of the ASEAN regional trading bloc. A recent study found 99 percent of EU business community members are either looking to expand or maintain their current frequency of trade and investment within ASEAN. This implies European companies look at Malaysia favourably.

Vietnam

Eurostat data shows Vietnam was the fifth largest exporter of coconut oil to Europe in terms of volume in 2018. Vietnam has ideal weather conditions for coconut production, which is one of its key strengths. Vietnam's other strengths include its strong agricultural potential and natural resources along with the government commitment to improving Vietnam's infrastructure.

As such, it could become easier for Vietnamese coconut oil producers to export to the European market. However, challenges the Vietnamese coconut industry faces include climate change, lack of government support, shortages of workers and transportation difficulties. A lack of investment in the coconut industry is another challenge. The perception of Vietnam in the European business community initially fell during the global

COVID-19 pandemic, however the perception is believed to have improved. The country reported not a single death from the coronavirus until June.

Brazil

Babassu oil is native to Brazil and grown in its Amazonian regions. This is one of Brazil's key strengths, as native species are adapted to local environmental conditions, requiring far less water and saving time and money. The Brazilian government is supporting its babassu industry, for example through programmes promoting income generation and improving the quality of life for those working in the babassu oil industry. It may therefore become easier for Brazilian babassu oil producers to export to the European market.

The Brazilian babassu oil industry also faces many challenges, such as deforestation, agribusiness driving out babassu farmers, and those working within the industry being threatened with and/or subjected to physical and sexual violence. The EU is Brazil's largest trading partner, with Brazil being the single biggest exporter of agricultural products to the EU globally. Brazil is already established as a significant exporter of babassu oil to Europe. Language can sometimes be a barrier to greater trade, as well as speedy delivery.

Tips:

Find out if your country has programmes helping exporters like you harvest, cultivate and/or export your palm oil alternative. You can do this by contacting governmental ministries of trade in your country because they are likely to have information about this and can help you export your palm oil alternative.

Ensure you abide by laws, legislation and policies regarding your palm oil alternative where relevant. For example, the Sri Lankan coconut industry is governed by the Coconut Development Act No 46 of 1971 whose functions, tasks and powers enables it to perform all activities deemed necessary to increase the production of coconut and its by-products, to conduct scientific research on coconut growth and breeds, to register all lands and owners actually involved in coconut cultivation, to finance both research and coconut industry and trade.

Consider joining the International Coconut Community because they offer a range of assistance to exporters of coconut oil from developing countries like you.

If your country is starting to improve its infrastructure, find out how you can benefit. Doing so could make it easier for you to export your palm oil alternative. You can do this by contacting local or central governmental institutions as they may be able to provide information and assistance.

What companies are you competing with?

A number of established companies in developing countries are successful in exporting palm oil alternatives to the European market. Some features these companies have in common are the ability to supply high quality vegetable oils, and certified products which add credibility.

A professional website with well-prepared content also gives credibility to the company. The company website usually includes sections informing prospective buyers about the company itself, how it sources and processes its palm oil alternatives, and offers technical details and certifications, accompanied by professionally taken photographs

Filipino companies

Many companies export coconut oil to the European market; Andy Albao CocoWonder is a leading Filipino

company. One of Andy Albao CocoWonder's key strengths is its ability to prove the high quality of its coconut oil with EU Organic certification and processing it in accordance with Good Manufacturing Practices and Hazard Analysis & Critical Control Points (HACCP) practices.

Indonesian companies

Sari Mas Permai is an Indonesian company exporting coconut oil to the European market. One of Sari Mas Permai's key strengths is that it exports coconut oil with an ISO 9001 certification that demonstrates its good quality. Sari Mas Permai also uses the latest technology and equipment to ensure the quality and safety of its coconut oil; this is another of its key strengths as it adds credibility to its claims.

Brazilian companies

Aboissa is a Brazilian company exporting babassu oil to Europe. One of Aboissa's main strengths is its professional website which contains professional and well-prepared content which is supported by professional photography. This includes well-prepared sections clearly informing prospective buyers who they are and what they offer in considerable detail. For example, Aboissa provides a datasheet for the babassu oil it exports, which contains useful information for prospective buyers of babassu oil for cosmetics. Information here includes specifications and limits of the babassu oil such as its melting point, boiling point, appearance and odour.

Tips:

Consider acquiring certification, such as ISO 9001 certification, which proves the quality of your palm oil alternatives. Doing so will give you an advantage when you are seeking to enter the European market.

Ensure you meet and uphold social and environmental standards, as sustainability and traceability of raw materials is becoming increasingly important for European buyers.

Ensure you have a professional website with well-prepared content which clearly informs prospective buyers of your key strengths. For example, the emphasis you place on exporting palm oil alternatives of the highest quality. Doing so is likely to make you more appealing to European buyers, with this increasing your chances of entering the European market.

What products are you competing with?

Apart from palm oil, there are many competing oils to coconut oil and babassu oil.

Shea butter

Shea butter is a product competing with palm oil alternatives as it is frequently used as an emollient in moisturising treatments applied directly to the skin to soothe and hydrate it. Key strengths of shea butter include it being used to manage dry, itchy or scaly skin conditions such as eczema, psoriasis and ichthyosis along with helping to prevent patches of inflammation and flare-ups of these conditions. Another key strength of shea butter is that formulators are familiar with it, as it has a well-established supply chain and is widely used.

Figure 4: Shea butter

Sources: Africa Studio/Adobe Stock

Argan oil

Argan oil is a product competing with palm oil alternatives due to its benefits. Key benefits of argan oil include providing protection from sun damage, moisturising the skin and treating a number of skin conditions. Argan oils anti-aging properties is another key benefit. Formulators are also more familiar with argan oil because it has a well-established supply chain and is widely used, which is another one of its strengths. A major weakness of argan oil is its high price; it is often marketed as 'liquid gold'.

Figure 5: Argan oil

Source: vandycandy/ Adobe Stock

Allanblackia seed oil

Originating in Ghana, allanblackia seed oil has been identified as a palm oil alternative. Although allanblackia seed oil is mainly used in the food industry, it is also used in the cosmetics industry because of its properties. Strengths of allanblackia seed oil include it giving cosmetic formulators stable emulsions with high oxidative stability, as well as its good emollient properties making it a suitable replacement for many synthetic emollient enhancers.

A key weakness of allanblackia seed oil is the current lack of supply because there are not enough trees from

which its oil is produced. However, in recent years the Ghanaian Forest Wildlife Management and Governance Department of FORIG has implemented programmes to increase the number of allanblackia trees. It is likely that allanblackia seed oil could become a threat to other palm oil alternatives in the future once supply increases.

Tips:

Familiarise yourself with products competing with your palm alternative that are available on the European market. Learn about their strengths and weaknesses. You can do this by reading the CBI study on shea butter.

Position yourself against competing products. Do this by highlighting the strengths of your company and products. For example, coconut oil's applications in the cosmetic industry as a viscosity increasing, skin conditioning, hair conditioning and opacifying agent, surfactant, emulsion stabiliser and base oil.

Educate yourself on how your vegetable oils compete with palm oil and alternatives with respect to their applications in personal care products and their properties. For example, you can find various websites and scientific sources that provide such information.

4. What are the prices for palm oil alternatives on the European market?

According to industry sources, the price of coconut oil was stable in 2019. The price increased between 2012 and 2018 because of declining production of coconut oil and unfavourable weather conditions. It is expected that prices will remain stable as global demand is expected to remain flat. Average FOB price for coconut oil is USD 720 per tonne in 2019.

The price of babassu oil has increased slightly in the last couple of years. The price of babassu oil at the growers' level is around EUR 0.5 per kg. The FOB market price of babassu oil is around EUR 1,305/ tonne.

Figure 6: Estimated price breakdown of palm oil alternatives in the European market

Source: Ecovia Intelligence

Tips:

Monitor the prices of palm kernel oil. This is because the price development of palm kernel oil affects prices of palm oil alternatives. You can monitor the price of palm kernel oil on commodity price monitoring website indexmundi.

Be open to offering discounts to buyers who order large volumes of palm oil alternative. This is

because European buyers are used to getting discounts when making larger orders.

Certification schemes can enable you to charge premium for your palm oil alternative. Make sure you can justify your price with relevant certifications.

This study was carried out on behalf of CBI by Ecovia Intelligence.

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