

FEATURES OF
COCONUT OIL:

- Lowers risk to heart disease.
- Strengthens the immune system.
- Provides relief from inflammation.
- Nourishes hair.
- Moisturizes skin.
- Aids in weight loss.
- Enhances brain function.
- Boosts energy levels.

Product Investment Profile: Coconut Oil

MAY 2017

Coconut Oil Industry

The Global Coconut Oil Industry is valued at USD 6.28 billion and much of this value is generated and resides within the Pacific Region. The Pacific Region has been at the fore with respect to the production and export of most coconut and coconut related products. The North America Region, of which the Caribbean is a part, accounts for 130M in terms of export value for Coconut Oil, that is, two percent of the global coconut oil industry value.

Countries with largely developed economies represent the top tier of Coconut oil importers with the main importers being the United States (USD \$1.13B), Germany (USD \$716M), China (USD \$710M), the Netherlands (USD \$639M) and Malaysia (USD \$487M). In terms of the Netherlands, it is identified as a major exporter and importer as it serves as a point of re-export into the European market and is a major player in the edible oil industry. The North American Region, inclusive of the Caribbean, accounts for USD 1.3B in terms of import value for

Coconut oil.

Coconut oil commands the



Virgin Coconut Oil on display at a Caribbean Coconut Workshop

highest price among the major traded oils and this has been a continuing trend, making it an attractive commodity for those who wish to get into the coconut oil market.

Speciality products such as deodorized and scent infused Virgin Coconut oil products have been developed to target a variety of consumers, all who discern their choices based on scent and/or the flavour profile. Additionally, there are blended oils with coconut being the primary oil so as to tap into traditional purchasers of other oil types (Soy Bean, Palm, Olive, etc.) while pro-

moting the health benefits of coconut oil.

The Caribbean Region, has become an attractive area for investment regarding every aspect of the Coconut oil industry, primarily that of production and processing.

It mirrors that of the Pacific in terms of its climatic and geographical characteristics and is untapped in its potential to achieve the levels of production as seen by its eastern hemispheric counterparts.

There is much scope for the development of the Coconut oil industry in respect of an oleochemical industry, a downstream industry as a result of a thriving and dominant coconut industry. The Pacific has demonstrated its success in such an undertaking and the Caribbean is now the new frontier in that regard with competitive advantages which may make it more attractive than the established Pacific. Exciting prospects lie ahead for the Caribbean Region as it relates to the Coconut Industry and this is merely the beginning.

Coconut oil commands the highest price among the major traded oils (Palm oil, Soybean oil, etc.)

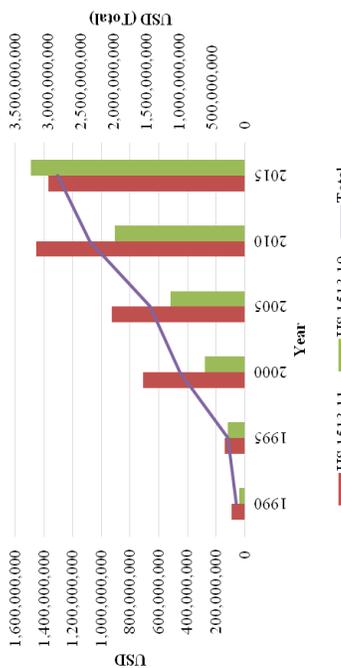


Fig. 1 Global Export Value of HS 1513.11 and HS 1513.19 for Selected Years

Market Considerations

Coconut oil straddles two trade categories depending on the nature of the product; Harmonized System Code (HS Code) 1513.11 - Coconut (copra) oil, crude and HS 1513.19 - Coconut (copra) oil (other than crude) and its fractions thereof, whether or not refined, but not chemically modified. Crude coconut oil has been the major traded commodity of the two, with a change in recent years where coconut oil (other than crude), has surpassed it as the leading coconut oil export (Fig. 1).

The trend in the overall Coconut oil industry has been upward, signifying growth and increasing demand (Fig. 1) mostly for coconut oil (other than crude). Coconut oil commands the highest price among the major traded oils (Palm oil, Soybean oil, etc.) and this has been a continuing trend, making it an attractive commodity for those who wish to get into the coconut oil market (Fig. 2).

Germany and the Netherlands are the most important markets for coconut oil

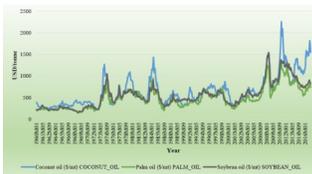


Fig. 2 Global Commodity Price per Tonne for selected Edible Oils

with the Netherlands in particular, being an entry point to reach surrounding European markets. Such markets include Germany, Belgium, France and the United Kingdom, receiving almost half of total European imports in 2015. Belgium, France, Italy and Sweden are positively trending markets for imports of coconut oil.

The United States of America (USA), despite the heavy influence of soybean and palm oil on its oils and fats industry, it remains the chief global market for coconut oil. Aside from the USA in western hemisphere,

Canada is the major market for coconut oil.

Admittedly, Coconut oil comprises a lesser share of the Global oil and fats industry, especially in the western hemisphere. In terms of the European market, coconuts feature more significantly albeit not predominantly. Its demand has remained stable and its popularity has been increasing. In such a growing market, there is a lot of market share to be gained by the coconut industry. This has been demonstrated by companies in the Philippines where an oleochemical industry has been created and for which coconut oil typically makes up 90 percent of its industry. In essence, their oleochemical industry is a downstream industry as a result of their thriving and dominant coconut industry. This reflects the potential for the Caribbean Region in engaging such markets with respect to the Coconut oil industry.

Global Market Trends

Consumers are making choices geared towards a healthier and more nutritious lifestyle. Coconut oil is regarded to be high in natural saturated fats (High-density lipoprotein (HDL)), known to increase healthy cholesterol and reduce bad cholesterol. It is also known to aid in the relief of particular infections (bacterial, viral, fungal or parasitic), due to its high anti-parasitic property. As a health benefit, memory improvement and improved brain func-

tion is another claim of coconut oil as well as benefits accrued towards weight loss.

Apart from dietary benefits linked to consumption of Coconut oil, there are many non-dietary benefits as well, linked to skin and hair care, making it an attractive product within the cosmetic industry.

In Europe and the USA, there is an increasing focus on food safety with specific

standards to be met. There is also market segmentation into commodity and speciality oil where commodity oil is characterized by future markets, undifferentiated product, standard quality: refined, bleached, deodorised (RBD) whereas, speciality coconut oil is characterized by non-futures market, premium quality: virgin (VCO), cold pressed, scent infused, certification schemes: organic, fair trade, organic plus, sustainably sourced.

Why Caribbean

The Caribbean is an ideal production area given its climatic and environmental conditions, which are similar to that of the Pacific Region where the bulk of global coconut production abounds. The ecology of the coconut tree makes it well suited for the Caribbean and despite the Region’s vulnerability to tropical storms and hurricanes, the coconut tree physical characteristics allow for it to have a fair level of resilience. Countries such as Guyana and Suriname enjoy a competitive advantage having virtually zero risk with respect to tropical storms and hurricane, allowing for year long uninterrupted production.

The Caribbean Region is strengthened by its research and development capacity, having a regional agricultural research and development institute which has begun extensive work along the value chain for the coconut industry. Related are strategic partnerships and linkages to a number of international bodies in the area of coconuts, most

notably from India and Mexico. The Region is well placed in accessing propagation material from the Centro de Investigación Científica de Yucatán (CICY) in Mexico, the only place globally where micro-propagation of coconut planting material occurs. Coupled with the current interest and support by governments within the Caribbean, Coconuts is being deemed a priority commodity for the Caribbean Community (CARICOM).

Culturally, the peoples of the Caribbean have significant experience in the area of Coconut production and processing of Coconut oil. Additionally, product and process development is evolving along the value chain as the Region is moving forward into the area of technological solutions. This has allowed for the diversification away from traditional commodity products and outdated processes into new value added segments of the value chain, a shift from remaining at the basic production level and capturing higher value

by targeting higher end markets.

The Region is positioned to access the largest market for Coconut oil, the USA, as well as established markets in Europe. Regionally, there is a ready market for Coconut oil and its demand has been increasing, moreso in the area of specialty products.

The Caribbean archipelago and that of the mainland countries, comprise a fair amount of land area, upwards of three million km², allowing for a wide distribution of production areas and the potential to greatly impact at a global level, the supply of coconuts on the world market. There also exists significant acreages for rehabilitation and expansion/development arising from the fall of production due to the propaganda of negative health concerns regarding coconuts and especially coconut oil and its recent resurgence. Thus in every respect, the Caribbean is now the new frontier for Coconuts.

Coupled with the current interest and support by governments within the Caribbean, Coconuts is being deemed a priority commodity for the Caribbean Community (CARICOM)

Caribbean SWOT for Coconut Industry

Strength	Weakness	Opportunity	Threats
Significant acreages for rehabilitation and expansion/development. Research and Development.	Culture of poor agricultural management practices.	Open Markets for FDI Concessions re movement of products intra-regionally	Pest and Disease Issues. Climate change and increased extreme weather events.
Strategic partnerships/linkages	Mass Propagation via Tissue Culture.	Health and nutrition benefits.	Other oil, milk and “sports drink” markets.
Current Government interest and support.	Access to capital.	Domestic and Overseas markets with increasing demand.	Evolving higher standards re-entry into overseas markets.

Organization

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Improving lives through agricultural research.



Investment Tools

To assist in your decision regarding investing in the Caribbean Coconut Oil Industry, a couple of tools have been developed to guide and inform your decision.

The tools are freely given for you to input and experiment with parameters to gauge different scenarios regarding an idea with respect to investment.

These tools are for guidance only and any decision made based on the use of these tools are those of the user and they alone assume responsibility for the outcome of the decision made.

Feedback on these tools are welcomed as well as any related information which can help improve

the tools themselves or offer better insight into the investment climate.



Edible Oils on a shelves at a Supermarket Chain in a Caribbean Country.

As a final note, be guided that there are inherent risks in any investment decision to be made and what is required is the management in reducing risk to achieve a positive outcome. All the best in your endeavors.

[Demand Pull Projections - Coconut Oil](#)

[Cost and Return of Coconut Oil Processing](#)