

# OPPORTUNITIES FOR SRI LANKAN VIRGIN COCONUT OIL IN THE UNITED KINGDOM MARKET



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## SUMMARY

The UK's growing consumer preference toward functional foods, which are enriched with health-giving benefits, has opened up a lucrative market for virgin coconut oils, a commodity that was primarily sold through health & wellness shops until a few years ago. According to some market studies, sales of virgin coconut oils in the UK have almost tripled from GBP 4.4 million in 2014 to GBP 14 million in 2015. Consumers' quest for food and food ingredients containing therapeutic properties such as digestive help, healthy fats, mental boost and hormone support has made virgin coconut oil one of the mainstream consumer goods in supermarkets, food-speciality retailers and convenience stores around the country. Although the phenomenal growth experienced during the early years (2012 - 2015) appears to have stabilised to some extent in 2016, the average demand for virgin coconut oils in the UK market is expected to grow by around 10% over the coming years.

## MARKET SEGMENTS

While consumer market, where virgin coconut oil bought by end-users primarily for culinary purposes, continues to be largest market segment at present, the food industry and the cosmetic industry have begun to use an increasing volume of virgin coconut oils in their products. The food industry uses it as a health ingredient in snacks and dietary supplements, whereas the cosmetic industry uses it for a range of products such as skin-care, hair-oil, lip-balm, high-end luxury soaps, make-up removers etc. Being a specialty oil category, the market for virgin coconut oil, however, remains much smaller compared to ordinary coconut oils or other vegetable oil varieties.

## DISTRIBUTION CHANNELS

The UK totally depends on imports for its virgin coconut oil requirements and importers / distributors based in a few countries such as the Netherlands, Germany and USA have been catering to majority of the market until recent years. Some of them have been engaged in importing and repacking their merchandise for different market segments and private labels. However, as the consumer demand began to grow over the recent years, an increasing number of British companies have started to source virgin coconut oils directly from producer countries such as Indonesia, Sri Lanka, the Philippines, Thailand, India and Malaysia.

## IMPORTS

Compilation of precise statistics on UK's imports of virgin coconut oil remains a tedious task, since there is no dedicated HS code for this product. Securing this data from the supplier countries also has not been very effective, since exporters too appear to classify coconut oils under a few different tariff lines (eg. 1513.11 and 1513.19), apparently based on their applications, volume and mode of packing. However, according to the trade, virgin coconut oil is known to account for a majority of the coconut oils imported by the UK under HS codes 1513.11 and 1513.19. UK's major suppliers of virgin coconut oils under these HS codes are shown in Tables I and II below.

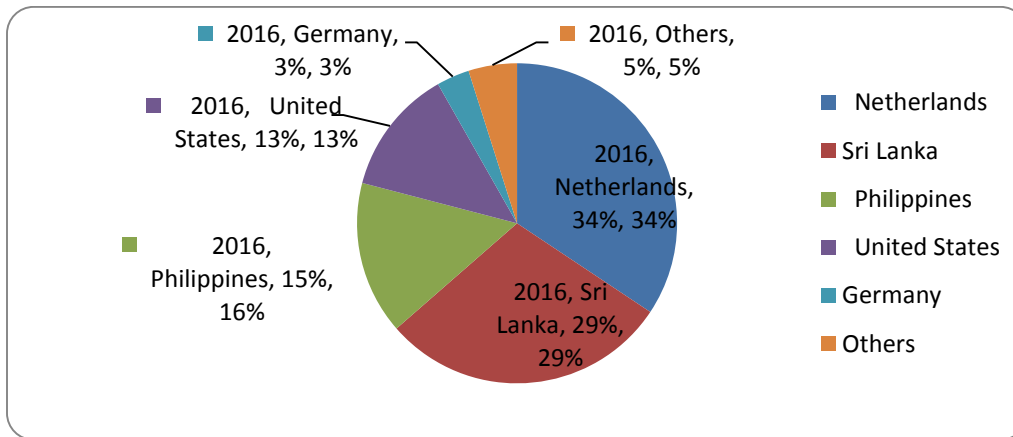
**Table I : UK's imports of virgin coconut oils under HS code 1513.11**

Country	2016	2015	2014	2013	2012	Rank
Netherlands	4.97	4.18	3.59	2.73	3.84	1
Sri Lanka	4.23	4.93	1.47	0.65	0.39	2
Philippines	2.24	1.86	2.49	0.78	0.28	3
United States	1.84	1.78	0.64	0.16	0.12	4
Germany	0.48	0.52	0.81	0.47	0.72	5
Belgium	0.43	0.00	0.05	0.00	0.00	6
Canada	0.10	0.65	0.19	0.00	-	7
Samoa	0.04	0.04	0.11	0.11	0.09	8
South Sudan	0.04	-	-	-	-	9
India	0.03	0.01	0.02	0.00	0.02	10
Other	0.07	0.84	2.07	1.64	2.15	
<b>Grand Total</b>	<b>14.47</b>	<b>14.81</b>	<b>11.44</b>	<b>6.56</b>	<b>7.62</b>	

*Source: HMRC (Her Majesty's Revenue & Customs, UK*

*Value: in million GBP (£)*

**Figure 1 : Top 5 Suppliers of Virgin Coconut Oils to UK under HS 1513.11 (2016)**



The value of UK's imports of virgin coconut oil under 1513.11 has almost doubled from GBP 7.6 million in 2012 to GBP 14.8 million in 2015. While the market appears to have stabilised in 2016, the Netherlands, a country with long-established trading capabilities, ranks the number one supplier. However, accounting for almost one-third of imports, Sri Lanka has emerged as the largest producer-exporter of virgin coconut oils to the UK. Although imports from the Philippines have witnessed a gradual increase over the last few years, it still occupies only about 50% of the market share enjoyed by Sri Lanka.

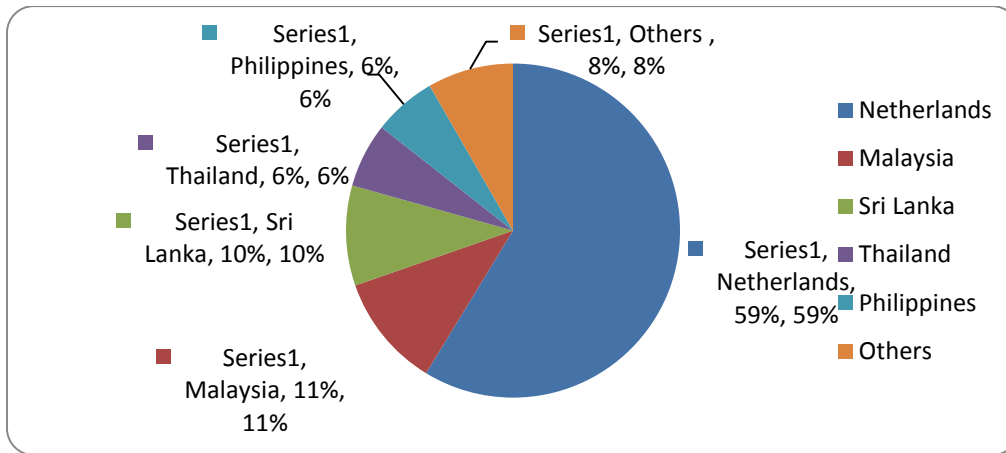
**Table II : UK's imports of virgin coconut oils under HS code 1513.19**

Country	2016	2015	2014	2013	2012	Rank
Netherlands	15.33	15.21	8.28	7.66	5.59	1
Malaysia	2.86	3.30	4.36	3.27	3.73	2
Sri Lanka	2.53	1.37	2.37	0.20	0.00	3
Thailand	1.63	0.81	0.38	0.11	0.01	4
Philippines	1.59	1.68	0.48	0.00	0.00	5
United States	0.92	0.29	0.16	0.18	0.41	6
India	0.35	0.19	0.15	0.11	0.22	7
Germany	0.30	0.81	0.14	0.42	0.41	8
France	0.18	0.08	0.07	0.06	0.10	9
Italy	0.08	0.13	0.13	0.14	0.05	10
Others	0.33	0.32	0.21	0.12	0.78	
<b>Grand Total</b>	<b>26.11</b>	<b>24.18</b>	<b>16.74</b>	<b>12.27</b>	<b>11.29</b>	

*Source : HMRC, UK*

*Value : in million GBP (£)*

**Figure 2 : Top 5 Suppliers of Virgin Coconut Oils to UK under HS 1513.19 (2016)**



UK’s virgin coconut imports under 1513.19 too have grown more than 100% from GBP 11.3 million in 2012 to GBP 26.1 million in 2016, while the Netherlands, Malaysia, Sri Lanka, Thailand, the Philippines, United States, India and Germany are among the main suppliers. However, reflecting the gradually stabilising market, the imports under both the HS codes have begun to slowdown in 2015/ 2016. This scenario is demonstrated in Figure 3 below.

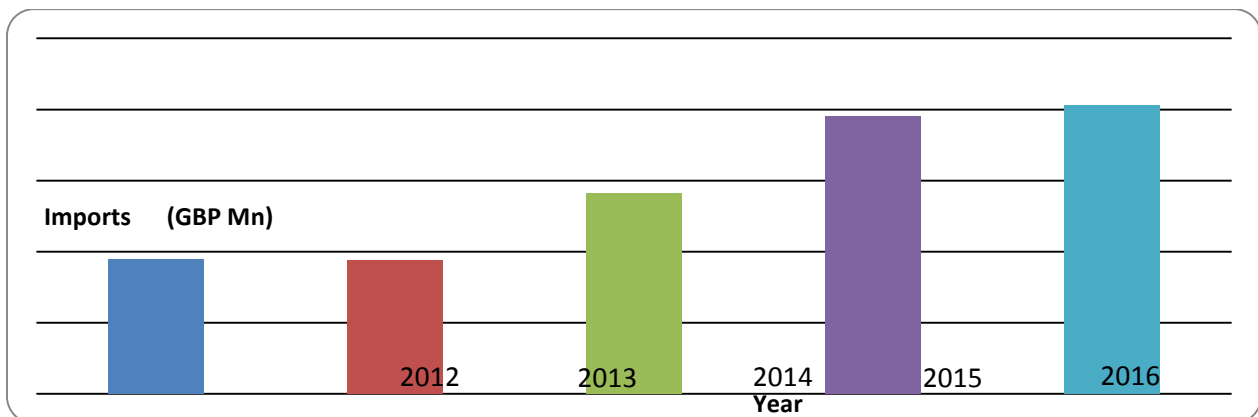
**Table III : UK’s Total Imports of Virgin Coconut Oils ( HS 15. 13. 11 & 15.13.19)**

Year	2012	2013	2014	2015	2016
Value	18.91	18.83	28.18	39.00	40.58

*Source : HMRC, UK*

*Value : in million GBP (£)*

**Figure 3 : UK's Total Imports of Virgin Coconut Oil : 2012 - 2016**



## PACKAGING

Depending on the importer/buyer specifications and the nature of applications, the mode of packing can take a few different forms. For instance, in the case of industrial applications, the oils can be packed in large steel or high-density polyethylene drums or containers, while consumer packaging could be in small-size glass bottles or plastic jars (eg: 100g - 500g).

## LABELLING

As in the case of other consumer products, labels used for virgin coconut oil should be easy to read and understand. Similarly, they should not contain any information that could mislead the consumer. The basic information that should be shown on the labels generally includes details such as the Name of the product, Ingredients, Additives (if any), Warnings on any allergic reactions, Best before / Use by date, Special storage conditions (if applicable), Quantity information, Directions for use, Batch / lot information, Manufacturer, Importer /Distributor or seller information etc..

In order to be labelled as organic virgin coconut oil, at least 95% of the contents should be organic and the products has to be certified by one of the Organic Control Bodies in the UK. The importer / distributor can contact any organic control body located closer to him for this purpose. Once registered, the company concerned has to adhere to all the applicable guidelines, keep a proper record of the production processes and allow annual inspections.

\* Please refer to the USEFUL LINKS provided in the last page of the report for more details.

## PRICING

Prices of some of brands of virgin coconut oils sold in the UK market are listed below.

### PRICES OF SELECTED BRANDS OF VIRGIN COCONUT OIL

RETAILER	PRODUCT	BRAND	QTY	PRICE (£)
Sainsbury's	Extra Virgin Organic Coconut Oil	Lucy Bee-Fair Trade	100ml	2.00
			300ml	6.00
	Organic Virgin Coconut	Sainsbury's	100ml	1.32
			300ml	3.95
	Virgin Coconut Oil	KTC	100ml	1.80
			300ml	9.00
Waitrose	Organic. Cook, bake, spread! GM free	Groovy Food	100ml	1.77
			283ml	4.99
	Cold pressed coconut	Waitrose Cooks'	100ml	1.67
			300ml	5.00



<b>ASDA</b>	Extra Virgin Coconut Oil	ASDA	100ml	0.83
			283ml	2.35
	Organic Virgin Coconut Oil	Groovy	100ml	1.76
			283ml	4.99
	Extra Virgin Organic Raw Coconut Oil	Lucy Bee-Fair Trade	100ml	1.99
	Virgin Coconut Oil	KTC Pure & Natural	500ml	9.95
			100ml	1.20
			500ml	6.00
<b>TESCO</b>	Tesco Virgin Coconut Oil cold pressed	Tesco	100ml	1.00
			300ml	3.00
	Virgin Coconut Oil	Groovy	100ml	1.41
			283ml	3.99
	Organic Extra Virgin Coconut Oil	Groovy	100ml	1.60
			500ml	8.00
	Organic Extra Virgin Coconut Oil	Vita Coco	100ml	2.00
			250ml	4.99
	Extra Virgin Organic Raw Coconut Oil	Lucy Bee-Fair Trade	100ml	1.80
			1Ltr	17.95
<b>Holland &amp; Barratt</b>	Organic Extra-Virgin Ceylon Coco. Oil	Coconut Merchant's	100ml	4.42
	- Do -	- Do -	45ml	1.99
	- Do -	-Do-	1000ml	21.99
	Extra Virgin Coconut Oil	Lucy Bee	100ml	2.40
			500ml	12.00
	Extra Virgin Coconut Oil	Tiana	100ml	1.66
	Pure Extra Virgin Coconut Oil	Nature's Way	500ml	8.29
			100ml	3.38
			488g	16.49
<b>As Nature Intended</b>	Organic Virgin Coconut Oil	Biona	200g	4.40
	100% Organic Raw Coconut Oil	Viridian	500g	15.00

**Source: Retailers' Websites**

The prices of virgin coconut oils depends on several factors such as the type (eg. ordinary/non-organic virgin, organic virgin, organic extra virgin), origin of the product, popularity of the brand, packaging, status of the market chain etc. Based on these factors, the price of a 100ml container of virgin coconut oil, for instance, could vary anywhere between £1.00 and £3.00, while some exclusive varieties could cost as high as £5.00.

Lucy Bee, Groovy, Tiana, Biona and Vita Coco are some of the well-known brands available in the UK market. In addition, almost every supermarket chain sells virgin coconut oils under their private labels as well. Health shops such as Holland & Barratt and As Nature Intended generally set their prices rather high, since they market virgin coconut oils as a speciality product. Meanwhile, oils of Sri Lanka origin are considered relatively expensive due to two specific reasons; better quality standards and higher production costs. It is pertinent to mention that

Sri Lanka's higher production costs are becoming a serious hindrance in expanding its share in the UK market.

## **CONCLUSION & RECOMMENDATIONS:**

The UK's demand for virgin coconut oil, which experienced a substantial growth during the period 2012 - 2015, has gradually begun to stabilise in 2016. Similarly, the competition has reached an intense phase, as many suppliers have entered the market with a wide range of brands, including private labels. Consequently, virgin coconut oils, which used to be a niche product that was available through some specialised health shops, has now become a main stream commodity. For instance, virgin coconut oils are now sold in almost all the leading supermarket chains such as Tesco, Sainsbury's, Waitrose, ASDA and Marks & Spencer (Food) as well as health shops like Holland & Barrett and As Nature Intended. Moreover, the global giants in e-commerce such as Amazon.com too have started online sales this commodity.

Against this backdrop, it is very important that Sri Lanka, while maintaining the reputation it has gained as a producer of high-quality virgin coconut oils, makes every possible effort to remain competitive in the market by lowering its production costs with enhanced efficiency and productivity. Sri Lankan suppliers should never compromise the quality standards of their products and integrity for any short-term gains. While adaptation of innovative technology could play a key role in this context, fair trade certification and other ethical practices could bring added advantages in their marketing efforts.

Sri Lankan exporters should also aspire to introduce value added products such as snacks, cookies and food supplements as well as personal-care products like skin-creams, body-lotions, hair-treatments etc., with special emphasis on the niche-market, which is normally patronised by high-spending consumers.

Targeting the industrial market is another strategy for Sri Lanka to enhance its share in the UK market. Needless to say this market segment too demands a very high degree of competitiveness, efficiency, quality consistency and business integrity on the part of the suppliers. In addition, the suppliers should ensure that they address all their capacity constraints, they may encounter in negotiating large-scale orders.

## **USEFUL LINKS**

Food Standards Agency of the UK : [www.food.gov.uk](http://www.food.gov.uk)

Food Labelling & Packaging: <https://www.gov.uk/food-labelling-and-packaging/overview>

Department for Environment, Food and Rural Affairs Approved UK organic control bodies  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/603216/organic-control-bodies-list.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/603216/organic-control-bodies-list.pdf)

Food information to consumers - legislation  
[http://ec.europa.eu/food/safety/labelling\\_nutrition/labelling\\_legislation\\_en](http://ec.europa.eu/food/safety/labelling_nutrition/labelling_legislation_en)

Text of EU regulation on the provision of food information to consumers  
<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32011R1169&from=en>

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