

Coconut Products Market

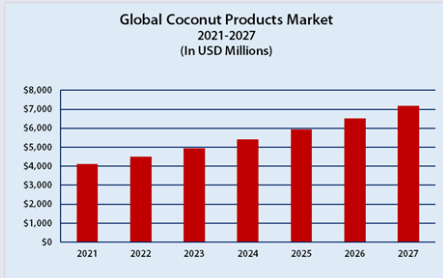


Fig 1. Global Coconut Products Market

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...growing consumer concerns associated with the consumption of conventional dairy-based food...are expected to drive growth in coconut products.
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Global Outlook

According to a report by Mordor Intelligence, the global coconut products market was valued at \$4,102.9 million in 2021 and is projected to reach \$7,184.2 million in 2027, registering a CAGR of 10.0% during the forecast period of 2022 to 2027.

The growing consumer concerns associated with the consumption of conventional dairy-based food and beverage products and the adoption of vegan diets due to rising health awareness are expected to drive growth in coconut products. As the organic industry continues to grow, the demand for food and beverages manufactured out of organically produced/procured ingredients has increased. Food products made from organic coconut products contain very high nutritional content because they do not contain modified ingredients compared to conventional agricultural food products. Organic coconut also shows increasing growth in the form of oil, milk, desiccated coconut, cream and water.

The COVID-19 pandemic had a positive impact on the coconut products market as health concerns changed consumer buying behaviour. Many consumers began choosing natural and organic products over chemically composed products because they were aware of their health and were following a healthy diet to avoid the attack of the virus. Consumers were even choosing coconut products because they provide strength and have anti-microbial properties. As such, the uncertainty caused in 2020 and 2021 positively affected the market due to the rising demand for coconut products. For example, Vita Coco, a major player in this segment, saw remarkable growth in e-commerce sales of coconut products as consumers stockpiled coconut products through online retailing, resulting in revenue growth.



Regional Segmentation

North America holds the largest coconut products market share globally. The United States is one of the major importers of coconut products owing to high demand. Due to increasing health awareness related to obesity, coconut products find applications in weight loss smoothies and no-sugar energy drinks, driving growth in the region.

Asia Pacific and Central and South America also contribute significantly to coconut product consumption as the major plantations are found in countries like Indonesia, Philippines, India, Brazil, Sri Lanka and Vietnam. These countries are the major suppliers to North America and Europe. Philippines and Indonesia are the major exporters of coconuts and coconut oil in the world.

Europe is expected to grow at a significant CAGR in the coming years due to the increasing adoption of coconut water and milk. Coconut milk is already being used as a non-dairy alternative in many European countries. Moreover, due to increasing awareness regarding the benefits of coconut water, there has also been a huge increase in the demand for coconut water related products.



Market Restraints

The market is significantly hampered by fluctuations in the production of coconut due to various climatic factors. The global climate has been changing rapidly, mainly due to the rising emission of greenhouse gases through human activities such as deforestation and increased industrialisation. Coconut plantations are highly sensitive to climate change as coconuts are a perennial crop. Climate change brings higher temperatures, increased carbon

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dioxide concentration, rainfall changes, increased weeds, pests and diseases, and the growing susceptibility to organic carbon pools, all of which negatively affect crop growth. Also, the vulnerability of coconut plantations to climate change primarily depends on the intensity of atmospheric and soil conditions.

Drought stress heavily impacts production in almost all coconut growing regions, as it is primarily a rain-fed crop. Furthermore, summer dry spells every year, apart from the frequent drought years, affect production. These aforementioned factors reduce coconut production and ultimately restrain market growth.



Type, Application and Form Insights

According to a report by Allied Market Research, on the basis of type, the coconut oil segment currently accounts for the largest share in the global market. Coconut oil based personal care products have gained higher traction in the personal care industry due to their emollient properties. Furthermore, due to its rich flavor with a mild aroma, coconut oil has become a popular choice of fat in various food products. Thus, due to some of the key characteristics possessed by coconut oil, coupled with strong demand from cosmetics and food & beverage industries, coconut oil accounts for a higher value share in the global coconut products market.

Based on application, the cosmetics segment accounts for more than half of the share of the coconut products market and is expected to retain its dominance in the coming years. Coconut products such as coconut oil, coconut milk and cream are widely used in preparations of a range of cosmetic products due to their antioxidant, anti-ageing and anti-inflammatory properties beneficial for hair and skin. However, the beverages segment is expected to witness the fastest growth in the coming years, registering a CAGR of 14.7% through 2026.

Based on form, the liquid segment holds a significant share of the global market. However, the solid segment is expected to garner a considerable share in the coming years, owing to increasing demand for coconut-based snacks as healthy alternatives to conventional snack products across the globe. In addition, benefits such as easy handling and a longer shelf life further add to the solid coconut products market growth.



Mature Coconuts Hold the Major Market Share

The e-commerce boom has effectively provided strong headwinds to online retail sales of health food products. After the onset of the pandemic, key manufacturers are more actively tapping popular e-commerce platforms with a mix of attractive discounts, robust sales and support and an enhanced shopping experience for consumers. This factor is predicted to support online platforms to emerge as one of the fastest-growing distribution channels across the globe.

Supermarkets/hypermarkets are currently the leading distribution channel for health foods and beverages. These giant retailers are further augmenting their market penetration by targeting underserved locations, offering distinct retail shelves to superior nutritional products, and developing a bundling strategy for such products.



Demand for Functional Dairy Products

Mature coconuts hold the major coconut products market share owing to their high flesh content and low price. Furthermore, these coconuts are dried for making copra and extracting coconut oil, which is in high demand among all derivatives.

The young coconut segment is expected to experience considerable growth. This is mainly attributed to the growing awareness regarding the benefits associated with

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Market Competition

The global coconut products market is facing intense competitive conditions as more companies continue to target specific customer bases. The recovery from the pandemic is not uniquely spread across geographies and accordingly, most companies have been opting for focused strategies to localised market conditions since the start of the pandemic. For instance, the majority of European consumers continue to emphasise seeking brands with strong purpose and good values while there has been a fundamental shift from essential goods in some Asia Pacific markets.

-Economic Impact of Coronavirus-

The COVID-19 pandemic has created the biggest global crisis in generations, sending shock waves through health systems, economies, and societies around the world. Faced with an unprecedented situation, governments are focused on bringing the pandemic under control and reviving their economies.

Consumer Demand

According to a report by Fitch Solutions, global consumer spending growth y-o-y has slowed down significantly over the first six months of 2022. Households and consumers are facing a myriad of risks, ranging from weak real income growth, high inflation, and rising interest rates. The risks associated with COVID-19 have greatly reduced globally, except for countries still pursuing 'zero-COVID-19' policies, such as China, where lockdowns and restrictions are weighing both on global consumer demand, through weakness in the Chinese consumer market, and on global supply chains.

The Russia-Ukraine war, lockdowns in China and disruptions to supply chains over the first six months of 2022 have led Fitch Solutions to revise down its real household spending figures globally. Previously, Fitch had forecast global household spending to expand by a real rate of 6.8% (in USD terms) over 2022. The forecast now is real household spending to grow by 5.7%.

Inflation Remains High

According to the International Monetary Fund's ("IMF") latest World Economic Outlook update released in July 2022, the baseline projection for global inflation is pessimistic, having been revised up to 8.3 percent in 2022 on a fourth quarter-over-fourth-quarter basis, from 6.9 percent in the April 2022 World Economic Outlook. The upside inflation revision in 2022 is larger for advanced economies, where it is expected to reach 6.3 percent from 4.8 percent projected in the April 2022 World Economic Outlook on a fourth-quarter-over-fourth-quarter basis, driven by significant increases in headline inflation among such major economies as the United Kingdom (a 2.7 percentage point upward revision to 10.5 percent) and the Euro area (a 2.9 percentage point upward revision to 7.3 percent).

Forecasts for 2023 are relatively unchanged—up by only 0.2 percentage point on a fourth quarter-over-fourth-quarter basis—reflecting confidence that inflation will decline as central banks tighten policies and energy price base effects turn negative. For emerging market and developing economies, inflation in 2022 is expected to reach 10.0 percent on a fourth quarter-over-fourth-quarter basis.

Revisions for those economies display greater variation across countries, with relatively modest increases in emerging and developing Asia (partly because of a slowdown of activity in China and limited increases in prices of staple foods) but larger revisions for

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Latin America and the Caribbean (up by 3.0 percentage points) and for emerging and developing Europe (up by 2.9 percentage points).

UK Economic Forecast

The IMF has slashed its growth forecast for the UK next year, with expectations that it will lag behind other major economies. UK GDP is now only expected to rise by 0.5% in 2023, the weakest growth in the G7. This is down from previous forecasts of 1.2% and 2.3%.

However, Britain is forecast to see a growth of 3.2% this year, above those of its biggest competitors including both France and Germany.

This comes as the IMF again downgraded its forecast for global growth this year in its latest world economic outlook, blaming worse-than-expected inflation for an overall "gloomy and more uncertain" report. The IMF warned that growth was stalling in the world's three largest economies: the United States, China and the Euro area.

Global Economic Forecast

According to the IMF's latest World Economic Outlook update, a tentative recovery in 2021 has been followed by increasingly gloomy developments in 2022 as risks began to materialize. Global output contracted in the second quarter of this year, owing to downturns in China and Russia, while US consumer spending undershot expectations. Several shocks have hit a world economy already weakened by the pandemic: higher-than-expected inflation worldwide—especially in the United States and major European economies—triggering tighter financial conditions; a worse-than-anticipated slowdown in China, reflecting COVID-19 outbreaks and lockdowns; and further negative spill overs from the war in Ukraine.

The baseline forecast is for growth to slow from 6.1 percent last year to 3.2 percent in 2022, 0.4 percentage point lower than in the April 2022 World Economic Outlook forecast. Lower growth earlier this year, reduced household purchasing power, and tighter monetary policy drove a downward revision of 1.4 percentage points in the United States. In China, further lockdowns and the deepening real estate crisis have led growth to be revised down by 1.1 percentage points, with major global spill overs. And in Europe, significant downgrades reflect spill overs from the war in Ukraine and tighter monetary policy. Global inflation has been revised up due to food and energy prices as well as lingering supply-demand imbalances.

The risks to the outlook are overwhelmingly tilted to the downside. The war in Ukraine could lead to a sudden stop of European gas imports from Russia; inflation could be harder to bring down than anticipated either if labour markets are tighter than expected or inflation expectations unanchor; tighter global financial conditions could induce debt distress in emerging market and developing economies; renewed COVID-19 outbreaks and lockdowns as well as a further escalation of the property sector crisis might further suppress Chinese growth; and geopolitical fragmentation could impede global trade and cooperation. A plausible alternative scenario in which risks materialize, inflation rises further, and global growth declines to about 2.6 percent and 2.0 percent in 2022 and 2023, respectively, would put growth in the bottom 10 percent of outcomes since 1970.

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