THE 2020 PALM-BASHING BAROMETER IN THE EU

Brochure

FAT & associés
OILSEEDS, OILS & LIPIDS EXPERTISE

The Report in Brief

Can the Predominance of Palm oil in the EU be lessened?

For the past ten years, the increase in world population and per capita consumption have driven palm oil into the lead, overtaking soybean oil as the most widely produced vegetable oil worldwide.

Today, the EU accounts for about 13 percent of global palm oil consumption (4th user of palm oil in the world), and palm oils (palm oil, palm kernel oil, their fractions) represent more than 30 percent of the total consumption (food, feed and technical uses) of oils & fats in the EU. However, between 2012 and 2019, palm oil consumption essentially stagnated in the EU. We can observe a slight erosion of palm oil consumption in food while palm oil use in European biodiesel production is continuously increasing.

This trend reflects the rise of consumer awareness regarding the ecological impact of standard palm oil cultivation on the one hand, and continuing pressure about nutrition and health concerns on the other hand (i.e. saturated fat reduction, 3-MCPD & cancer risk). The health concern has pushed a rapid import of certified sustainable palm into the background. As a reaction, more and more B2C producers have undertaken to suspend the use of palm oils altogether and change their recipes.

Is the Shift towards *palm-free* a Long-Term Trend?

Ironically, the *palm-free* label started as a marketing advantage that some French retailers adopted in 2011 during the palm oil image crisis. This trend was strengthened by the mandatory labeling of the source of vegetable oils in food products by the end of 2014. Indeed, as of December 2014, food companies are forced under Regulation (EU) 1169/2011 to specify the origin of all vegetable oils and fats, such as rapeseed, palm, sunflower or any other that is currently labelled as vegetable oil or vegetable fat. In May 2016, EFSA released a report that alerted the public to the carcinogenic risk of contaminants (namely the 3-MCPD and glycidol) that form during the processing of vegetable oils, particularly palm oil. The subsequent controversy has strengthened the reluctance of food activists to use palm oil. Consequently, some food companies simply decide to do without palm oil in recipes.

Objectives

Our Report provides insights to understand the *palm-bashing* trend. This research project sets out to investigate the European food products to understand the impact (on business reality) of the market and pressure from consumers to move away from palm oils, and hence to identify commercial trends and opportunities.

New for 2020:

- **Key end-uses**: identifying the products by country and by company which benefit the most from a move away from palm oils to palm substitutes.

- **Benchmarking**: translating *palm-bashing* into edible oil volumes, quantify & qualify the different substitutes and their growth rate.

- **Biofuels:** An overview of palm oil for biofuels by consuming countries, including the impact of changes to new RED-II policy and limitation of palm oil as a feedstock.

Scope and Coverage of the Report

The report consists of two documents:

- **Main report**: 70+ pages including over 30 tables and diagrams
- **Executive Summary**: Key findings, business opportunities and pitfalls

The analysis covers the following countries and end-uses:

- **EU countries**: Austria, Belgium, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Spain, Sweden, Switzerland, UK.
- **Edible End-uses**: spread & margarine, biscuits & bakery, savoury snacks, baby food, ready meal, confectionery, bottled oil (retail), dairies, soup & noodle, mayonnaise & dressing.
- **Biodiesel**

The main report is divided into 4 chapters, which are described below.

Chapter 1: The *Palm-Bashing* Landscape in the EU

This chapter reviews *palm-bashing* by decrypting its significance: some B2C companies are replacing palm oil in recipes and putting a *palm-free* claim on food products or in advertising.

However, these only represent the tip of the iceberg and a snapshot of what we must imagine to be a bigger trend. Indeed, the *palm-bashing* trend is also the *out-of-palm* reformulation when the food company simply decides to do without palm oil in recipes. This is a silent trend as there is no specific labelling on packaging explaining the fact that the product no longer contains palm oil as an ingredient.

The evidence for considering the *out-of-palm* reformulation as part of *palm-bashing* is that the food operator absolutely wants to prevent any negative campaign in the medium term, hence eliminates palm oil as a preventive action, without capturing any marketing advantage that the palm-free labelling could confer in the short term.

In this chapter, we identify which edible end uses have switched toward palm oil substitutes by individual EU member states. We provide an estimate of volumes and we focus on growth segments in the mature *palm-bashing* countries (France, Belgium, Germany and Italy) and in rising *palm-bashing* countries such as Spain, Poland and Sweden.

We also provide a snapshot of the European *palm-free and out-of-palm* food industry by profiling the leading B2C companies across brands & retail products (premium and basic private labels).

The tables and diagrams in Chapter 1 include:

- *Palm-Free* Claiming Products and Share in Food Retail by EU Member State
- Palm Oil Disappearance due to *Out-of-Palm* by Food Segment and by EU Member State
- Palm Oil Disappearance due to *Palm-Free Claim* by Food Segment and by EU Member State

Chapter 2: Palm Substitutes - From Technical Solution to Economic Reality

Palm oil is perceived as a versatile ingredient, and is the lowest priced oil on the market today. Therefore, the best palm substitutes need to offer the same properties (such as solid fat, crystallization, high oxidative stability) without reducing the end product profit margin.

This chapter brings together the various palm oil substitutes by food use and, therefore, reflects the decrease in palm use in European nutrition. We analyze the price competitiveness of alternative solutions and identify the impact on the end product factory price. We will consider the current and often hidden forces that shape the prices of *palm-free* food products.

Finally, we analyze the new investments and (incoming) palm oil substitutes from lab' to scale up production.

The tables and diagrams in Chapter 2 include:

- Palm Oil Prices and its Liquid / Solid Substitutes
- Palm Oil Substitutes in Volume by Segment by EU Member State

Chapter 3: Palm Oil in Biofuels

Sustainability has become a key concern for legislators in recent years. Greenhouse gases (GHG) emitted along the biofuels value chain and Indirect Land Use Change (ILUC) are now in the spotlight. Current legislation governing biofuels - Recast to 2030 (RED-II and FQD) are revised as a result.

This chapter begins by reviewing the most recent legislation and by forecasting the consensus about feedstocks that is most likely to emerge from the various positions of EU stakeholders. This chapter also examines the impact of RED-II on palm oil usage for fuel in the EU.

Chapter 4: Strategic Conclusions and Recommendations

In this final chapter, we draw together the conclusions and insights from the preceding chapters, identifying the ways in which *palm-bashing* may be expected to develop in Europe and in the rest of the world: government policy outlook, food activists' pressure, incriminated B2C brands & reaction. We first identify those issues that will shape the palm oils in the EU in the coming months, before pinpointing the crucial considerations for each end-use. We consider the winners and the losers in the European outlook and beyond.

Availability, Deliverables and Fee

Availability

The report will be available in the spring of 2020.

You will receive:

- Main Report - electronic file
- Executive Summary - electronic file

Fee

The fee for the report, including all the deliverables listed above, is €3,800 or $4,300 (VAT Excl.) payable in full before delivery of report.

Confidentiality

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About FAT & Associés

FAT & Associés is an independent economic and business intelligence consultancy. FAT & Associés has recently celebrated ten years in business exclusively serving the lipids, oils, and fats value chain. Our clients have recognized the value of our business intelligence and our specialized consulting services, and the number of loyal clients continues to grow. In today's competitive environment, our in-depth studies and accurate forecasts supply the strategic information they need to stay ahead of the game.

Our research covers economic, strategic, scientific, and technical matters affecting:

- **Oilseeds,** fruits, and related oils (palm, soybean, rapeseed, sunflower, coconut, linseed …)
- **Specialties** (CBE, CBS, Jatropha, algae, insect, nut oils, castor oil, Lauric oils, high oleic oils, GLA oils …)
- **Derivates** (fatty acids, glycerin, fatty alcohols, fatty esters, FAD, etc.)
- **Food ingredients** (margarine, shortenings, frying oils, biscuits, etc.)
- **Non-food applications** (plastics, lubricants, solvents, surfactants, biodiesel, etc.)