

SPECIAL REPORT

NOT ALL COCONUT IS THE SAME

DO YOU KNOW
THE DIFFERENCE?



Bioriginal
Anticipate • Innovate • Grow

OVERVIEW

Every business knows that the most valuable lessons can come at a high price. That's why successful brands have qualification processes for their products and manufacturers. But even the savviest teams may be missing some important questions that could help them avoid costly mistakes.

In this report we will cover 5 key questions about your virgin coconut oil supply that you need to be asking your manufacturer in order to:

- Address commonly overlooked quality questions and;
- Avoid lost sales

Coconut oil is currently the sweetheart of culinary, beauty, sports and nutrition circles. According to data from SPINS¹, **U.S. coconut oil sales reached more than \$239 million in 2015, and sales climbed 31.3% compared to the previous year.** The category-leading canola and soybean oils saw sales decrease by 5.7% and 9%, respectively, during the same period.

This kind of growth is fueling competition not only on store shelves, but has led to an influx of new entrants on the supply side as well.

Although market demand for organic virgin coconut oil (VCO) is growing, less than 2% of world production is organic VCO. Many suppliers and manufacturers are struggling to keep up with this demand and don't have the experience and expertise necessary to navigate the complex supply chain and consistently supply top quality organic VCO to the North American market.

So how do you pick a reliable coconut oil manufacturer? And how best to protect - and potentially grow - your market share?

Here's what the **savviest brands are asking when they choose their virgin coconut oil manufacturer – or audit existing relationships.**



¹ Data includes natural supermarkets (excluding Whole Foods Market), specialty supermarkets, and conventional multi-outlet channels. Comparison of 52 weeks ending 12/27/15 with 52 weeks ending 12/28/14 (Data quoted in Nutritional Outlook)

1 How does your manufacturer mitigate the risk of pricing and supply fluctuations?

Coconuts are grown in tropical regions. These regions are vulnerable to a number of issues that can lead to significant disruptions in supply, which directly impacts market price. Natural disasters, like drought and typhoons, are common occurrences, as are insect infestations and challenges stemming from political instability. These can all lead to supply shortages, pricing fluctuations and potential quality issues with the limited product that is available.

Any one of these events could interrupt your ability to consistently keep your product on the shelf. Disruptions in supply could lead to lost sales while you're out of stock and unfortunately that might be the least of the fallout.

Supply issues could result in lost customers - a potential hit to both brand image and market share. Extended out of stocks may lead to a competitor capturing your shelf space. Extreme price fluctuations may erode your margins without being able to pass increases on to your retailers or consumers, putting you in a lose-lose situation.

Making sure that your virgin coconut oil manufacturer has a diverse supply base, solid relationships with those suppliers and the experience to anticipate and manage the inevitable fluctuations could make all the difference.

So when determining how - or if - your current or a prospective manufacturer mitigates the risk of pricing and supply fluctuations, here are some questions you may want to ask:

What have they done to diversify their supply to mitigate these risks? Do they have multiple qualified suppliers who are geographically dispersed? Do they have solid long-term relationships with their farmers, co-ops and processors? When there is a supply shortage, will they be the first priority for supply from these in-country farms and processors? Do they have a close and trusted relationship with their suppliers? Have they demonstrated the experience to leverage their relationships and market intelligence to anticipate future shortages and price fluctuations to safeguard against inevitable peaks and valleys for their customers?

2 Does your manufacturer have the in-house expertise and processes in place to fix common problems that come with a tropical product like coconut oil?

Mold. Infestation. Rancidity. Learning how best to prevent these quality issues takes years of investment and expertise in Quality Assurance/Quality Control, Science & Technology and Operations/Processing. Many problems can arise when dealing with a crop grown in a tropical climate and in many cases, processed in-country with relatively rudimentary equipment and processes.



The concern to your product is that some of these issues are not identifiable right away – for example, mold doesn't always present immediately, but rather can grow once your product is already on the shelf. If your manufacturer does not have the expertise and the experience to identify, prevent and correct all manner of problems that can and do occur with coconut oil, you may run into problems down the road.

When asking your manufacturer about their in-house expertise and processes to avoid these common problems, here are some questions to consider:



Do they have any additional processing steps before packaging? Are they actively involved in working and helping their in-country processors to improve their systems and equipment? How long have they been sourcing and packaging coconut oil? What processes have they put in place – both in-country and in their own facility – to prevent the quality issues that may occur?

3 What kind of Quality Assurance does your manufacturer have?

Coconut oil manufacturers in the U.S. must comply with food cGMP requirements. However, some go above and beyond food cGMP practices and comply with more demanding dietary supplement cGMP quality and testing requirements. This level of testing gives you added reassurance you are getting what you pay for – high quality virgin coconut oil. Multiple points of inspection and organoleptic testing on every batch ensures consistent color, clarity, taste and smell.

Meanwhile, consumers are also driving demand for cleaner labels and product certifications, such as non-GMO, organic, kosher and gluten-free. If you don't currently have access to product with those certifications, you might want to consider a manufacturer with a broader portfolio who can help you meet this market demand.

When asking your manufacturer about their Quality Assurance, some questions you may want to ask:

Are they packaging in a food or dietary supplement cGMP compliant facility? What facility licenses and certifications do they have? Have they been third party audited? Do they conduct organoleptic testing on every batch of coconut oil? What product certifications do they have for their coconut oil?

Certified GMP, HACCP, ISO, Intertek, and BRC



Certified Organic



Certified Non-GMO, Gluten-Free, & Kosher



4 Does your manufacturer regularly visit their in-country suppliers – including farmers, processors and co-ops?

The key here is **regularly**.

Conditions can change from year to year (or month to month) based on government, the economy, crop conditions and a variety of other factors. Some manufacturers don't conduct on-site audits of their suppliers, but it's critical to conduct regular on-the-ground visits to every supplier and processor to ensure their facilities are maintaining standards set in their initial qualification.

Coconut oil comes from countries that are generally less developed and that often means that some of the facilities, equipment and processes need improvement. Regular visits not only ensure quality practices, but also allow for sharing advice and assistance with key suppliers and processors on equipment and process, resulting in improved quality, efficiency and output.

Manufacturers who visit regularly also build long term relationships directly with the farmers, co-ops and processors. It takes years to develop solid and dependable relationships throughout the supply chain, so companies with experience have an advantage in this area.



5 Can your manufacturer help you innovate?

Although coconut oil continues to grow, with so many products on the market, it's critical that companies launch new and innovative line extensions to maintain shelf space and stay relevant to consumers.

Many manufacturers of coconut oil can only do one thing; coconut oil. It's important that your manufacturer continuously supply not only your key coconut oil products, but also provide new leading edge products that have the potential to increase your margins and market share, such as 100% coconut-derived MCT oil, emulsified coconut MCTs, liquid coconut cooking oil, coconut food products and other coconut-based goods.

Consumers are always looking for new and novel products. Is your supplier helping you anticipate market trends so you can be ahead of the curve (or at least get on board quickly when consumers demand it)? Has your current manufacturer been proactive and been an asset when it comes to anticipating and staying ahead of the trends?

Finding the right manufacturer can be a crucial piece in your growth strategy. Ask yourself - have I found a coconut oil supplier that can help me stay relevant and elevate my brand in a highly competitive market?



THERE IS A DIFFERENCE...

Bioriginal has 14 years' experience in coconut oil and has built long term relationships with geographically-dispersed farmers, co-ops and processors.

We have a stringent qualification program for our suppliers and conduct in-person visits 1-2 times per year. Over the years, Bioriginal has worked with farmers to help them become organic and obtain organic certifications. We have worked with processors to improve their equipment, facilities and processes to increase their efficiency and quality. Located in central North America, we have a wide network of distribution centers for efficient shipping and storing of coconut oil and due to the quantity of coconut oil we import and process, we have short lead times and consistent on-hand supply.

To find out how Bioriginal can help you, contact us at **(306) 975-1166** or **business@bioriginal.com**.

ABOUT BIORIGINAL

Bioriginal is a global leader in delivering complete nutritional solutions to the food and nutraceutical industries. Bioriginal has over 20 years of global expertise with a wide portfolio including plant and marine-based oils, seeds & grains, protein products and botanical ingredients. Bioriginal has carved out a niche by combining ingredients from all over the world, directly from the source, to create innovative and efficacious solutions. Developing proprietary methods and systems, Bioriginal provides customized turnkey solutions for our customers that help them compete and win in a highly competitive space. Bioriginal is headquartered in Saskatoon, Canada with facilities throughout the USA and Europe. Bioriginal is the Human Nutrition Division of Omega Protein Corporation.

For more information, please visit **www.bioriginal.com**.



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