

Introduction

The fourth trimester of 2026 seems to promise a period of relative stability in the markets we are engaged in, creating an opportunity for buyers to secure their requirements ahead of El Niño's drought and the resulting declining yield that will be engendered.



Market trends :

Currently, the coconut market has once again left its global logic in order to enter into a regional one : The **Philippines and Indonesia** on one side, which are the main producers of desiccated coconut; and **Sri Lanka on another side**, which is a leading nation of coconut milk and cream production.

Production and transportation costs remain high in these nations because of the oil price which is still elevated after multiple variations (the Brent is now about **\$100/barrel**) which means that its costs is 52% more expensive than what it was before the beginning of the US-Israeli-Iran war (started on 28/02/2026).

However, **the coconut harvests are good** in the two biggest producing countries, Philippines and Indonesia. Heavy rains have occurred recently after the very dry & hot Summer season and preceding El Niño's heat that is expected to strengthen step by step in this area of the world. The production thus, is stable and volumes are not lacking, which is a good news.

In Sri Lanka, conversely, the crop is diminishing and the country entered its lean season (traditionally occurring between September and March). The prices have already risen by 10% to 15% since the month of August. **We could potentially not see the prices go down again before the end of El Niño's impact. The prices are, consequently, expected to rise continually from now on until the end of 2027.**

The **CNO market** (Crude Coconut Oil) price has risen unexpectedly, exceeding **\$2000/mt** CIF Rotterdam (approx. **+11%** since mid-August 2026). The CNO being the main driver of the coconut raw material price. Logically, the desiccated coconut market should follow this upward trend at some point.



El Niño :

El Niño has officially started in the Philippines this Summer and its heat and drought is expected to gradually intensify. It is **almost 100%** expected to last at least **until February 2027**. Its impact shall manifest increasingly throughout 2027.

During the last episode of El Niño, that happened in **2024/25**, the lack of water led to the trees hydraulic stress. **Their output consequently decreased by 50% ! That volume drop resulted in a price increase that got close to +300% at the crisis' peak !** An all-time high.



Freight market :

After a few months of high rates, particularly this Summer, the market is dropping slowly and we are seeing acceptable prices at the moment. We hope that this trend will last all along the 4th trimester. However, it will be important to keep an eye on the « Golden week » which could bring up some disruptions to the market and eventually drive prices upward until the end of the year.

There are a few elements to watch out for in Europe as well, like the German dockers strike which threatens to block the whole country's ports operations, potentially creating important backlogs as the action could be declared unlimited if the trade union demands are not matched. If on the 1st of October ballot, 75% of the unionists reject the companies' proposals, then the bandwagon will be launched.

The beginning of October will thus have to be closely monitored.

A few shipping lines would also like to re-start the stream Asia—Europe by using once again the Suez Canal. However, in today's geopolitical conditions, this initiative seems to be very difficult to implement and the Cape of Good Hope is considered as the main freight road for this route, even though it adds about 10 days to the whole trip.

To conclude, in a world where instability became the rule, it seems that a few market constituents tend to somehow stabilize : the freight rates have initiated a cheaper ephemeral period, the crop and production of coconut products is satisfactory, prices are relatively affordable & stable and lastly, El Niño's impact has not struck yet.

Consequently, these stable moments being quite rare, we advise our customers to hedge their needs before the end of December 2027 and to make sure to cover at large extent in order to anticipate and avoid the likely continuous price increase of 2027.

Nevertheless, we strongly advise to buy and hedge as soon as possible your coconut milk & cream origin Sri Lanka needs, as this market has its own upward trend.

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