Coconut Industry

The Philippines remains as the world's leading supplier of traditional coconut products. The industry is also finding new products and uses for this the "Tree of Life": coco peat, geotextiles, activated carbon and virgin coconut oil.

Description

The coconut industry is a dominant sector of Philippine agriculture:

- Of the 12 million hectare of farmlands, 3.25 M hectare is devoted to coconut
- 68 out of 79 provinces are coconut areas.
- Over 324M bearing and non-bearing trees
- 3.5M coconut farmers and farm workers are dependent on the industry
- Annual average of 5.97% contribution to GVA and 1.14% to GNP
- 59% share in the world coconut exports
- Among the top 5 net foreign exchange earners, average of US$760M per year

Production

- The Philippines is the world's second largest producer of coconut products, after Indonesia. In 2004, coconut production reached 14 million tons and covers 3.25 million hectares.
- The current yield level is 4.41 tons/hectare.
- Forty eight percent (1,595,120 hectares) of all coconut is planted to Mindanao but it produces 56% (8.1 million tons) of the total production.
- Hectarage by region – Region IX (369,130 ha), Region X (216,310 ha). Region XI (460,700 ha), Region XII (98,350 ha), CARAGA (227,480 ha), ARMM – (223,150 ha)
- Davao region is the top producer in the island (2.5 M tons) followed by Zamboanga Peninsula (1.2 M tons).

Processing

- Coconut oil, desiccated coconut, fresh coconut and copra are the primary products of coconut, while by-products include copra meal, activated carbon, coconut shell charcoal and coconut coir and coir dust.
- Coconut end products include detergents soaps, shampoo, cosmetics, margarine, cooking oil, confectionery, vinegar and nata de coco.
- Coconut intermediates include oleochemicals such as fatty acids and fatty alcohols.

Facilities

- Oil mills (30) – (Region IX (7), Region X (11), Region XI (8), Region XII (1), CARAGA (2), ARMM – (1)
- Decorticating Machines (3) – (Region IX (1), Region X (1).
- Coconut Virgin Oil Processing Plant – Region XI (1)
- Desiccated Coconut (5) – Region X (2), Region XI (2), CARAGA (1)
- Coconut husk (4) – Region X (2), Region XII (1)
- Coco Flour Mill – Region IX (1)
- Granulated Charcoal/Activated Carbon (13) – Region X (8), Region XI (5)
- Oleo-chemical – Region X (1)

Demand and Supply

- World demand for coconut oil is increasing due to coconut oil's high lauric fatty acid content for use primarily in detergent and cosmetic industries as well as the surge of demand for environment-friendly products.
- There still exist a big market potential for coco chemicals like fatty alcohols and acids, methyl esters, tertiary amines, alkanolamides and glycerine.
- These products are used in various applications such as soap and detergent production
- The industry is also looking at enhancing the market for coco peat, geotextiles and activated carbon among other coconut by-products. These have already found a market in Western Europe, particularly in the United Kingdom; and the demand is growing in the Middle east, South Korea, Israel, Australia, New Zealand, Greece, Japan and the U.S.
- Local and export demands for virgin coconut oil is also increasing
- Mindanao will be increasing coconut area by at least 110,000 hectares by 2010 and increase yield to 1.4 mt/ha in copra terms

Local Market

- Only 20% of coconut production goes to the local market
- Aside from the traditional coconut products there is a big local demand for virgin coconut oil (VCO) for health and well-being. There are a number of small to medium-sized companies that engage in the production and export of VCO. It is a cottage industry that requires an initial investment of at least two million pesos

Foreign Market / Trade

- About 80% of Local coconut production go to the export market with the remaining 20% to the domestic market. Coconut oil (crude and refined), copra, copra meal and desiccated coconut are the country's traditional coconut product exports. There are 39 other non-traditional coconut products and by-products that are being exported by the country.
- Coconut oil accounts for 85-95%of the total coconut exports by volume and 80%by value. Major competitors are palm oil, soybean oil, sunflower oil and rapeseed oil.
- In 2004, export revenues of the country from traditional coconut product exports amounted to US$841 Million, still below the 1995 figure of US$974 Million but still 11% higher than in 2003.
- Coconut oil export was $557.79 at $442.71/mt desiccated coconut $99.71 M, coco chemicals $48.98 M, coconut shell charcoal $6.45 M, activated carbon$32.23 M, copra meal $31 M and other products $44.76M.
- Philippine Coconut Authority figures revealed export of virgin coconut oil (VCO) in 2004 amounted $ 553,469 from 177 MT.
- The export in 2003 was 103 MT with a value of $406,580.
- The United States was almost an exclusive destination with 170 MT for a market share of 96%. Seven other countries took in the remaining 7 MT with uptake ranging from nil to 2 MT.

Marketing Practices

- Supply Chain of coconut has a multi-layered and complex marketing channel, form the points of production to its domestic and international markets.
- The bulk of copra is sold to village buyers before the copra reaches the mills. Copra pricing is largely influenced by world prices of coconut oil as well as domestic copra supply conditions.

Problems

- Large scale cutting of coconut trees, planting of other crops in coconut farms and the shift to non-agricultural use.
- Decline in coconut production due to low nut yield
- Poor copra quality due to inadequate processing methods
- Under-capacity in the oil milling/desiccated coconut sector
- Lack of processing infrastructure in the non-traditional coconut by-product sector such as coir fiber
- Multilayered copra trading resulting in reduced farmers income with an average traders gap of P2.5/kg of copra, equivalent to 24% of farmgate price or 20% of millgate price
- Inadequate market initiatives to expand traditional and promote non-traditional exports
- Low domestic utilization of coconut products

Price Trend

- Coconut chips - $1.18/kg in 2003; $$1.20/kg in 2004
- Desiccated coconut - $0.90/kg in 2003; $0.94/kg in 2004
- Crude coconut oil - $0.415/kg in 2003; $0.523/kg in 2004
- The most expensive export product is powdered coconut milk (US $2.63/kg in 2003 and $2.51/kg in 2004) followed by macapuno (US $ 1.90/kg in 2003 and $1.98/kg in 2004.

Credit Assistance

- Micro finance and credit – PCA, LBP, NLSF, PCA-CIIF, QUEDAN-COR
- PCA – Magniniyog Tungo sa Tunay na Pagunlad (Matutupad Program) – 14 % interest
- PCA – Buklod Niyog Proram: a micro-finance facility

Investment Opportunities

- Coconut expansion area for hybrids
- Macapuno production
- Production of coco peat, geotextiles, and other products from coconut husk
- Production of activated carbon
- The medical benefits derived from coconut oil can be further enhanced to promote as a health food or nutraceutical
- Virgin coconut oil production

Institutional Support

- Philippine Coconut Authority (PCA) mandated "To oversee the development of the coconut and other palm oil industry in all its aspects and ensure that the coconut farmers become direct participants in, and beneficiaries of, such development and growth. (PD 1468, Art.1, Sec.2)
- Seed nut sources – Zambo Research Center, Davao Research Center, CSPC Aroman, CGTS, Ayala Agric'l. Dev'tt Corp.

COCONUT ASSOCIATIONS

- ASSOCIATION OF COCONUT BROKERS, INC. (ACBI)
- ASSOCIATION OF PHILIPPINE COCONUT DESICCATORS (APCD)
- CHAMBER OF PHILIPPINE COCONUT OIL MILLS (CHAPCOM
- COCONUT OIL REFINERS ASSOCIATION (CORA)
- COCONUT SHELL CHARCOAL & ACTIVATED CARBON PRODUCERS & EXPORTERS (CSCACPE)
- ORGANIZATION OF PHILIPPINE COPRA EXPORTERS, INC. (OPCEI)
- PHILIPPINE ASSOCIATION OF FRESH COCONUT EXPORTERS, INC (PAFCEI)
- PHILIPPINE COCONUT OIL PRODUCERS ASSOCIATION, INC (PCOPA)
- PHILIPPINE COCONUT PRODUCERS FEDERATION, INC. (COCOFED)
- PHILIPPINE OLEOCHEMICAL MANUFACTURERS ASSOCIATION (POMA)
- UNITED COCONUT ASSOCIATIONS OF THE PHILIPPINES, INC. (UCAP)
- VIRGIN COCONUT OIL PRODUCERS AND TRADERS ASSOCIATION OF THE PHILIPPINES (VCOPTA)