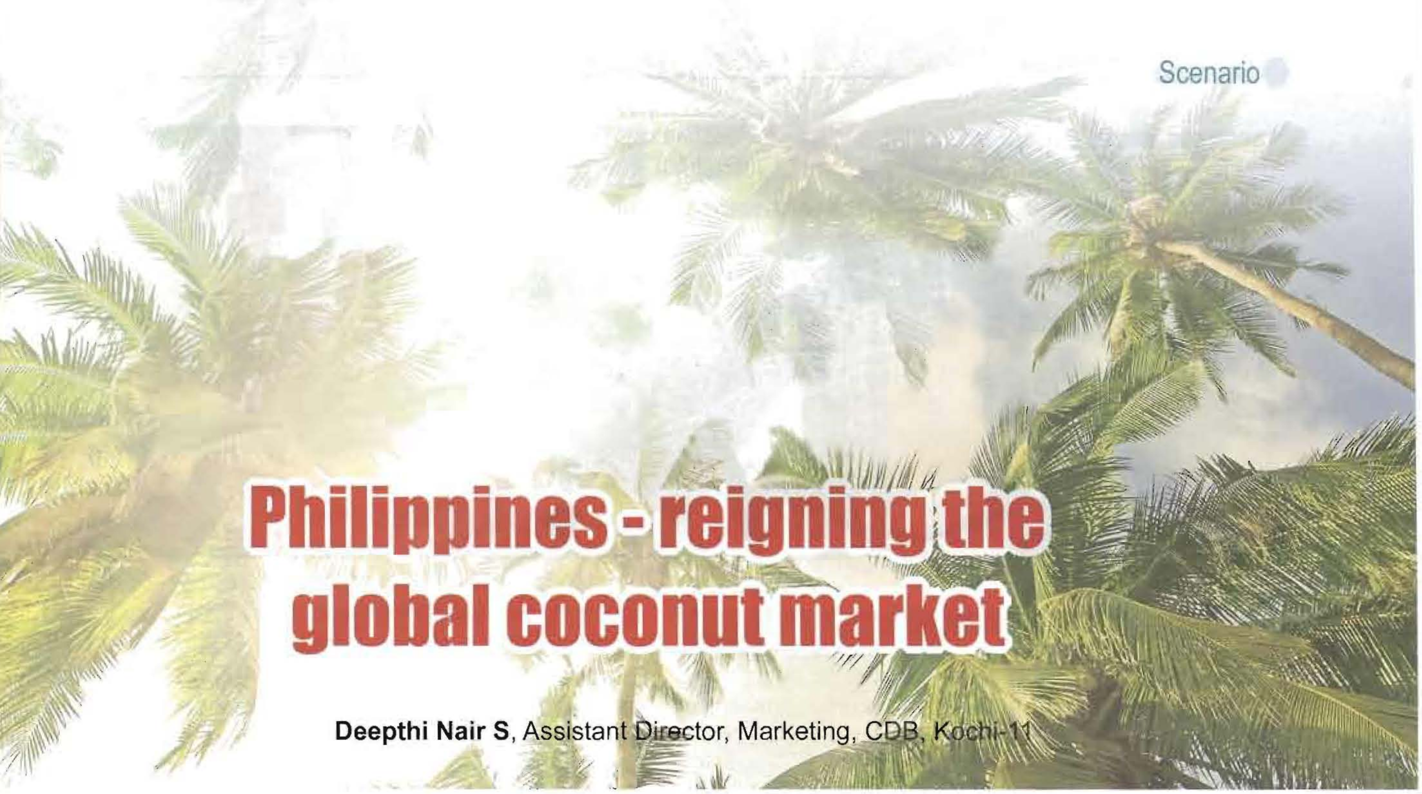


Philippines - reigning the global coconut market

Deepthi Nair S, Assistant Director, Marketing, CDB, Kochi-11

Philippines leads in the production and export of diversified value added products from coconut. The Philippines is the leading exporter of coconut products in the global market and stands second in area under coconut behind Indonesia and third in production. The present status of Philippines with respect to various traditional and non-traditional coconut products is presented below.

Traditional Coconut Products of Philippines

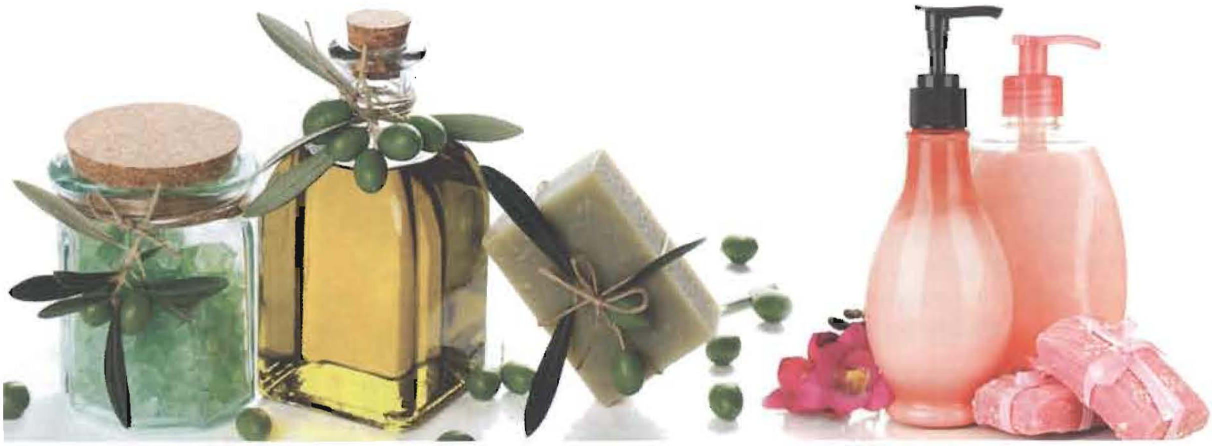
Copra and Coconut Oil

As primary material, crude coconut oil itself is marketable overseas. Locally, major consumers of this oil are the coconut oil refineries, unless a refinery has integrated operation, that is, from copra crushing to refining. Other oil millers (effectively considered also as refiners) produce only semi-refined oil mainly for export. Called cochin oil, it is semi-refined oil in that the processes involved are only refining (chemical and/or physical) and bleaching. The coconut aroma may still be present as no deodorization was done. RBD coconut oil is refined, bleached and deodorized coconut oil or fully refined coconut oil.

The US and Europe are the major importers of Philippine coconut oil with combined market share of 85%. Disaggregating according to coconut oil types, imports of Europe comprise mainly crude coconut oil, while the US is top buyer of cochin oil. On the other hand, RBD coconut oil has the most diverse market with Asia & Pacific, notably China and Japan, as key markets until 2012. Since 2013 the US took over as market leader.

Copra meal

The copra meal by-product is exported exclusively to Asian countries. Previously, almost the entire production of copra meal was shipped to Europe for use in feed compounding for cattle but the Philippines lost the market eventually due to strict limits on aflatoxin contamination. The last shipment to Europe was made in 2007. Meanwhile, copra meal found new markets in South Korea and Vietnam for the countries' growing livestock industries. The local market likewise has substantial share of the copra



meal market. Lately, India has become an aggressive buyer of copra meal and has overtaken Japan in the number three slot in the importers' list since 2014.

Oleochemicals

Philippine oleochemicals derived from coconut oil are for the most part intermediate chemicals: coconut fatty alcohol, fatty acid, methyl ester, and the by-product glycerin. Major market for these oleochemicals is in Asia & Pacific, primarily coco fatty acid. Europe is a much smaller market accounting for 21% as opposed to 78% of Asia & Pacific as a group. Export to Europe is mostly methyl ester. US ceased to be a market since 2013, it was importing coco fatty alcohol in 2012 and coco fatty acid in 2013. The main market of glycerine is in Asia & Pacific, accounting for 94.2% of which Japan dominates followed by China and Korea.

Oleochemical are further processed into amides, surface active agents, soap chips, soap noodles, biodiesel, aviation fuel, MCT oil and other fractions. Alkanolamide also has Asia & Pacific as its primary market. Within the region, Thailand, Australia and Vietnam were consistent buyers during the five-year period to 2015 with Thailand dominating followed by Australia and Vietnam. Shampoo is shipped mostly to Asia & Pacific.

Non Traditional Coconut products

Coconut shell charcoal and activated carbon

Coconut shell charcoal and activated carbon are traditional coconut shell products which are exported regularly. Apart from export, demand for coconut shell charcoal comes from local activated carbon manufacturers too. Asia has been coconut shell charcoal's export market where Japan takes the leading position and China takes the second spot. In contrast, trade of activated carbon is global in scope with Europe as top export market followed by Japan, US and Korea. The demand is on the rise over the years both for coconut shell charcoal and activated carbon from cited key importing countries.

Coconut water

Coconut water, the clear to slightly turbid liquid found inside the coconut kernel, apart from being a beverage, is raw material for the production of nata de coco, coconut vinegar, and coconut wine. It is also a sought after sports drink as more and more sports enthusiasts appreciate its many health attributes. The coconut water drink comes from coconuts between six and nine months old. Athletes and individuals value the coconut water for its being a natural beverage that is biologically pure, tasty, no sugar added, and high in nutritional value, among others. A comparison of the components of coconut water drink and typical sports drinks show coconut water has the edge because it is low in sodium and sugars and high in potassium, making it an ideal sports drink. Distribution of coconut water in consumer packs took some time to take off

because of the difficulty in packing coconut water and preventing it from fermentation. New packaging methods developed nowadays make the product accessible to the consumers in Tetra Pak, aluminum can, glass or PET bottle. In coconut growing countries like the Philippines, however, people still prefer taking coconut water straight from the coconut, particularly in the countryside, to ensure freshness apart from price consideration. Coconut water is also exported in concentrate form although still in limited volume compared to the regular coconut water or termed as single pass.

Export of coconut water saw a phenomenal rise in 2011 and 2012 but suffered a setback in 2013 owing to reduced purchases from the US. Export of coconut water was merely less than 1 million liters until 2010 when it first exceeded the 1 million-mark. Volume thereafter hit more than 10 million liters. The last two years saw a huge spike in export from 35.848 million liters to 71.735 million liters (+100%). The US has been a top buyer of coconut water. The European market saw radical increase in uptake from 6.3 million liters in 2014 to 30.0 million liters the following year, for a 376% increase. In Europe, the top consumers are United Kingdom and Netherlands. Interestingly, export prices virtually followed a rising path even with increasing volume traded, suggesting rising demand for the product.

Other products from coconut water are coconut wine, vinegar and nata de coco. There is limited data on coconut wine while figures on vinegar and nata de coco do not disaggregate the raw material used to produce these products.Nevertheless, a good part of vinegar produced comes from coconut water and as to nata de coco, from coconut milk. Export of vinegar is largely to the US. Vinegar is an important condiment and cooking ingredient for Filipinos, which explains for the significant market share of the US where many Filipinos reside permanently or otherwise. In 2013, there were huge purchases by the Middle East, notably Saudi Arabia. Like the US, there are many Filipinos working in Saudi Arabia as well.

Coconut meat

The Philippines, world's biggest supplier of desiccated coconut, presently has 13 desiccated coconut plants. The other exporters are Sri Lanka, Indonesia, and Vietnam. DC remains the second biggest export earner in the coconut industry next to coconut oil. The US is the single biggest market for Philippine desiccated coconut followed by the European market, the key importers being the Netherlands, Belgium, United Kingdom and Germany. In the Asia & Pacific region, Australia is the market leader in the region followed by China, Singapore, Japan and Korea.

Coconut milk liquid

The domestic market for liquid coconut milk remains limited and concentrated in urban centers. Consumers still prefer manually doing the extraction of coconut milk from fresh coconuts because it is cheaper and easy to do and the assurance that the milk product is fresh. The US is a major market followed by the European market, mainly the United Kingdom and Germany. Japan is the third biggest market. The market for liquid coconut milk is more diversified compared to the powder form. It was shipped to around 40 countries in the last five years of which eight regularly take orders from each year.

Coconut milk powder

The local market for coconut milk powder, like liquid coconut milk, is limited to institutional users like hotels and restaurants. In the export side, coconut milk powder counts about 35 country markets led by Japan, the US, Netherlands and France. The combined market share of EU comes to 29%. Out of the 35 importing countries, only Japan, the US, Korea and Australia had annual purchases during the five-year period.

Coconut flour

The US was principal destination cornering nearly one-third (32.6%) of total sales trailed by Korea, Australia and Europe. Its important use in nutrition makes it a highly priced product.

Virgin coconut oil (VCO)

VCO has risen to prominence for its anti-bacterial, anti-viral, anti-microbial, anti-protozoal properties that is has become well-known as a special premium product from coconut, even in countries which do not grow coconuts like United States and European countries. VCO still retains its tocopherols, which has been cited as an advantage over traditional coconut oil. Since VCO is solid most of the time at room temperature in importing countries like the US and Europe or when refrigerated, it can be used as a butter or margarine substitute for spreads or for baking. Most recipes calling for butter, margarine, or any other oil can be substituted with virgin coconut oil. For non-food applications, it has always been used as hair and scalp conditioner, as massage oil, body lotion, body scrub, among others. Other products have been formulated using virgin coconut oil like specialty soaps, lip balms and skin creams. The VCO industry in the Philippines is largely a small scale one. However, big operators also exist and these are largely from the desiccated coconut sector.

Record in the past five years show volume and value uninterruptedly growing by over six folds. US remained the market leader. Decade ago, the US monopolized the VCO market, cornering about 95% of total Philippine export. However, since the entry of Canada into the market in 2006, the US market share started to dwindle and continued on with market expansions into Europe and Asia & Pacific. In Europe, the major players are Germany, the Netherlands, United Kingdom and Belgium while in Asia & Pacific are Japan, China, Australia and Malaysia.

Nata de coco is basically for the Japanese market with Japan cornering more than 80% (81.4%) of nata de coco market. The second biggest market is the US which accounts for around 7%. While the Japanese market takes nata de coco as a low or no calorie food, in the US market, which comprised mainly of the Filipino community, it is an important ingredient in fruit salads.

Strength of the Philippine processing sector

Apart from the concerted activities of PCA for the sustained development of the coconut sector, Philippines also has an organized processing sector of coconut. The United Coconut Associations of the Philippines, Inc. (UCAP) is a confederation of associations/organizations involved in the various activities of the coconut industry. The objectives of UCAP are to unite all elements of the coconut industry and work for their common good. UCAP promotes harmonious coordination among the various sectors of the industry for the common benefit of the producing, trading, processing and consuming public; inculcate and preserve high standards of honor and integrity among its members and promote just and equitable principles and practices of trade. It also serves as a center of information about the coconut and related subjects; and provide a forum for the discussion of problems, issues affecting the coconut industry and/or any of its sectors, inter alia. UCAP serves as a forum for discussion on various issues involving the coconut industry and/or any of its sectors and members. UCAP published UCAP Monthly Review, Monthly Export Statistics, Coconut Statistics, Directory of Coconut Establishments in the Philippines are to name a few.

The major associations or organizations in the coconut sector in the Philippines include Philippines Coconut Producers Federation Inc (COCOFED), Coconut Oil Refiners Association (CORA), Association of Philippine Coconut Desiccators (APCD), Organic Coconut Association of the Philippines (OCAP), Association of Coconut Brokers Inc (ACBI), Philippines Activated Carbon Manufacturers Association Inc (PACMA), Philippine Coconut Oil Producers Association (PCOPA), Virgin Coconut Oil Producers and Traders Association of the Philippines Inc (VCOP) etc. UCAP is organizing the 1st World Coconut Congress during 14-16 August 2018 in the Philippines.

US Roadshow

Coconut being a major export commodity, Philippines Government addresses any challenge or threat to the industry with utmost concern and urgency, In the year 2017, the same old issue of saturated fats as the chief culprit for cardiovascular disease was again revived by the American Heart Association (AHA). Coconut oil has been singled out by AHA, as it did in the late 1980s. The Philippines has taken the initiative to rally the Asian and Pacific Coconut Community (APCC) and the private sector in opposing this smear campaign against coconut oil, pointing out that it is based on flawed research which endangers the economies of the major coconut producing countries as well as the livelihoods of millions of coconut farmers throughout the world. In partnership with the Department of Trade and Industry (DTI), a Coconut Road show and Outbound Business Matching Mission was sent to the US in September 2017 to conduct a press relation, market intelligence and promotion campaign for coconut oil and other coconut products.

Challenges faced

Climate change is the major challenge faced by the country. Philippines has been ranked second only to Bangladesh among the countries in Asia to be most at risk from the changing temperatures and weather systems. The country has been ravaged by numerous disasters, both by climatic and tectonic forces. The Philippines is exposed to various hazards because of its geographic location. Being situated in the Pacific rim of fire, the country is no stranger to earthquakes. This is further compounded by the fact that the Philippines is in the path of Pacific typhoons averaging 20 per year. The names Ondoy, Pepeng, Pablo, and Yolanda have been etched in the memories of Filipinos because of the destruction these typhoons have brought upon the country. Yolanda-hit areas are coconut producing regions leaving many coconut farmers economically marginalized. As per PCA reports, around 33 million trees in seven provinces were damaged in varying degrees. It will take three to five years to rehabilitate the coconut farms using fast-growing varieties. Apart from the decreased production due to varying climatic factors and the climatic risks and threats, there is also the Coconut Scale Insect (CSI) invasion which caused massive destruction in coconut areas. Increasing population of senile coconut trees and the prevalence of low-yielding varieties of coconut trees around the country are other major challenges to be addressed. ■