

Coconut Sector: Global Scenario and Indian Perspective

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Introduction

There are umpteen reasons for the right kind of preparedness in the international spectrum of coconut and value added products of coconut. Some of the pertinent aspects are: the declining share of coconut oil in the world's oils and fats market, a proposed levy on vegetable oil imports to the European Community and a campaign against coconut oil in the US, more stringent aflatoxin regulations imposed in the international copra market and erosion of the European desiccated coconut market. The EU has a set of regulations that can impact on most aspects of coconut industry. They relate to health, food safety and other regulations such as those related to packaging, waste recycling and labour laws. In this regard, entrepreneurs who wish to enter this market should give cognizance to the regulations governing market entry. It is pertinent to note that the failure to respond to changing patterns in the world trade in coconut products could have adverse effects on employment and revenue of the APCC countries that are mainly depending on coconut as a major livelihood option. Therefore, it is important to define the factors that drive international coconut product markets; assess the factors that determine demand in the major consumer nations of the world and identify threats to the industry's viability posed by US and European Community trade restrictions, competition from other oils, and mycotoxin contamination & other food safety issues. This is imperative, especially for the APCC countries as the coconut palm exerts a profound influence on the rural economy of these countries where it is grown extensively and provides livelihood security for about 64 million farm families, of which 12 million are Indians. The contribution of coconut to GDP of the country is around Rs. 9000 crore. The processing and related activities centred on the crop generate enormous employment opportunities for the multitude.

Global production scenario

Although coconut is widely dispersed in most of the tropical regions and grown in 93 countries in the world,

out of 12.2 million hectares of global area under this crop, close to ten million hectares is contributed by only four countries, namely Indonesia, Philippines, India and Sri Lanka (Table 1). These countries contribute 80 per cent of the total area under coconut and its production in the world (Figure 1). The export market of coconut and coconut products is highly concentrated with less than half a dozen exporting countries accounting for over 80 per cent of the total quantity traded in most cases. India stands 3rd in world area of coconut and first in production with the share of 17 per cent and 31 per cent respectively (Figure 2). Indonesia holds largest area in coconut (29 per cent) followed by Philippines. As far as the productivity is concerned Brazil holds the highest position (11630 nuts/ha) followed by India (10119 nuts/ha)

Table 1. Global Coconut Production

Countries	Area ('000 Hectares)	Production (million nuts)	Productivity (nuts/ha)
Indonesia	3610	16354	4530
Philippines	3502	14696	4196
India	2141	21665	10119
Srilanka	440	2870	6523
Brazil	251	2919	11630
Papua New Guinea	221	1483	6710
Thailand	206	1001	4859
Mexico	169	1119	6620
Vietnam	159	1246	7834
Vanuatu	92	415	4512
Malaysia	88	653	7420
Others	1317	5416	3754
World	12196	69836	5777

Source: APCC Statistical Year Book 2014

World export of coconut oil and VCO

As a matter of fact, in the last decade, production of edible oils in the world increased to 72 per cent and palm oil alone contributed to the tune of 5 per cent due to tremendous increase of oil palm production to an extent of 152 per cent. The increased availability of oil palm, soybean and rapeseed oils reduced the share of coconut oil in total edible oil production. USA is the single largest importer of coconut oil (32%) and the EU's import share is 33%

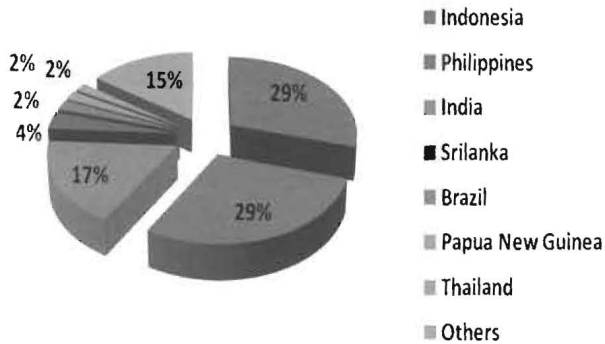


Fig 1. Percentage share in world coconut area

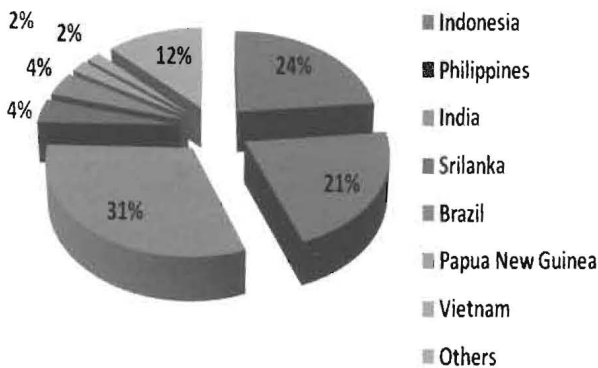


Fig 2. Percentage share in world coconut production

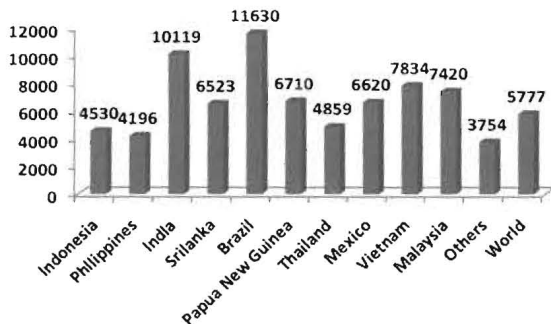


Fig 3. Global coconut Productivity (nuts/ha)

Philippines and Indonesia are the leading coconut oil exporters, wherein they together contribute 77 per cent of the total world export (Table 2, Figure 4). The share of India is quite in significant (0.3 per cent). In this context, we need to develop adequate strategies to catch the potential and developed markets of coconut oil across the world.

Virgin coconut oil (VCO) has received much attention globally in the recent times. The popularity of VCO is growing among consumers in all the continents due to its myriad properties including potential health benefits. The fast developing and high value niche global market for virgin coconut oil offers a good prospect for the improvement of the income of coconut farmers and others. USA is the largest importer of VCO in the world. The European market for VCO has also grown significantly over the past years, driven by the increasing attention that European consumers are paying to healthier diets. Globally, the Philippines is the largest exporter of VCO. Besides Philippines, other leading VCO exporters are Indonesia, India, Malaysia and Papua New Guinea. India exported 818 MT VCO in the year 2015-16 and this is 3.8% higher than the quantity exported during the previous year. US is India's major export destination.

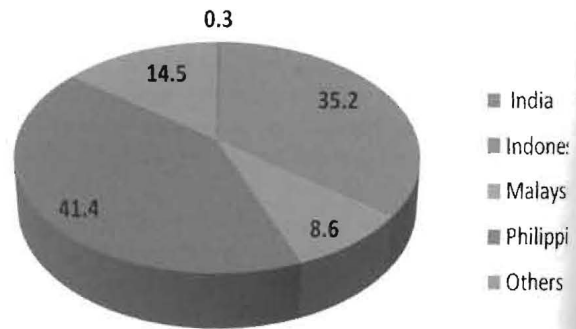


Fig 4. Percentage share of coconut oil exports in the world

Country	Quantity
India	7067
Indonesia	771419
Malaysia	187665
Philippines	907606
Others	317154
World	2190911

World export of copra meal

Copra meal is an important commercial by product of copra, which has got significant use in the large scale

production of commercial cattle feed. We may observe that the world export market of copra meal almost falls into the category of oligopoly, wherein Indonesia and Philippines together contribute 96 per cent of the total exports (Table 3, Figure 5). India never developed an efficient export chain of copra meal, chiefly due to the huge absorption of this by product into the domestic market as cattle feed.

Table 3. Quantity of copra meal exports in the world (in tonnes)

Country	Quantity
India	37
Indonesia	281336
Philippines	551198
Others	16203
World	866441

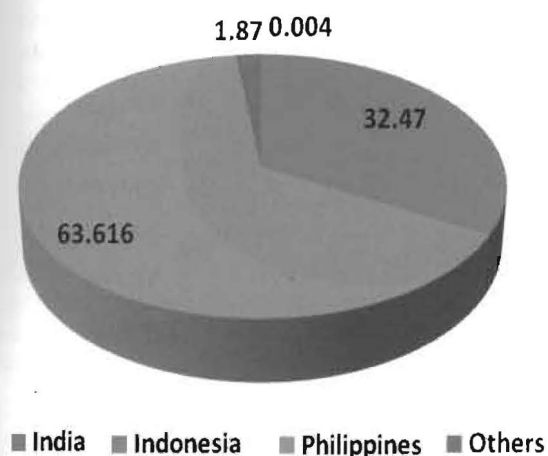


Fig 5. Percentage share of exports of copra meal in the world

World export of Desiccated Coconut

Desiccated coconut is prepared from substantially sound white kernel obtained from the whole nut of coconut. Desiccated Coconut is rich in healthy saturated fats with no cholesterol and is an excellent source of dietary fibre. With 30% of the world's imports, the European Union (EU) remains as the largest importer of desiccated coconut in the world. The Philippines and Indonesia are the major global exporters of desiccated coconut, accounting for 45 per cent of the exports (Table 4, Figure 6). Though India is the largest producer of raw coconut in the world, Desiccated Coconut export is only to the tune of one percent of the global exports. Nevertheless, during the year 2015-16 India exported 4261 MT Desiccated Coconut worth Rs 52.60 Crores. In comparison with the export of previous year, India achieved a remarkable increase to the tune of 63 percent.

Table 4. Quantity of DC exports in the world (in tonnes)

Country	Quantity
India	5166
Indonesia	86797
Malaysia	9800
Philippines	109099
Sri Lanka	51132
Vietnam	40302
Others	134895
World	440983

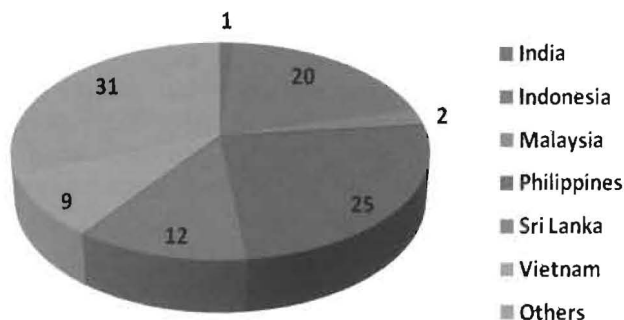


Fig 6. Percentage share of DC exports in the world

World export of Coconut milk/cream

Coconut milk and cream are high value commercial products for the higher end consumer market across the world. Coconut milk is an excellent substitute for the dairy milk and of late the health conscious consumer segment who are much aware of the comparative benefits of this product. Sri Lanka and Indonesia together contributes 96 per cent of total export share of coconut milk/cream and India is an insignificant player in this segment with an export share of meager 0.3 per cent (Table 5, Figure 7)

Table 5. quantity of exports of coconut milk/cream (in tonnes)

Country	Quantity
Indonesia	19440
Philippines	1390
Samoa	100
Sri Lanka	17413
World	38343

World export of Coconut shell charcoal

The global market for activated carbon was estimated to be 1.25 million tonnes in 2012 and is expected to grow

◆ Analysis

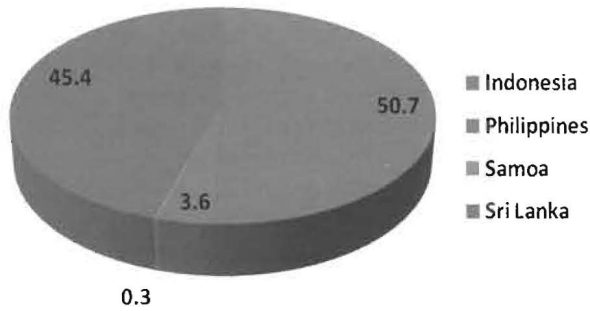


Fig 7. Percentage share of exports of coconut milk/cream

at a CGR of 11.7% from 2014 to 2020. Major activated coconut shell carbon exporting countries are shown in Table 6. Indonesia has almost monopolized the shell charcoal export market in the world with 70 per cent contribution of the total exports, while Philippines follows with 20 per cent share in the world exports (Figure 8). India too shows positive signals in the export segment of shell charcoal with a share of seven per cent in the total exports.

Country	Quantity
Philippines	72097
Sri Lanka	8736
Indonesia	249682
India	24773
World	355288

World export of coir and coir products

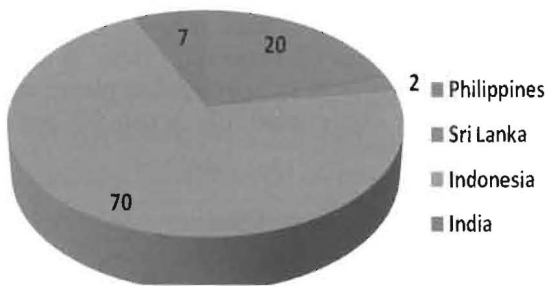


Fig 8. Percentage share of exports of coconut shell charcoal

Till recently, India and Sri Lanka were the only coir producing and exporting countries. In the recent past coir industry got established in few other countries as well (Philippines, Indonesia, Thailand, and Vietnam). Quantity of coir and coir products exported in the year 2014 is 0.33 million tones (Table 7). Around 80% of the export is in the form of coir fibre. China is the major

buyer of coir fibre (90%) and its requirement is expected to increase 10 to 20% every year. At present, there is a deficit of nearly 20% in supply of coir fibre in the world.

Country	Quantity
India	81738
Indonesia	31972
Malaysia	11877
Philippines	27834
Sri Lanka	137700
Thailand	39704
Others	196
World	331021

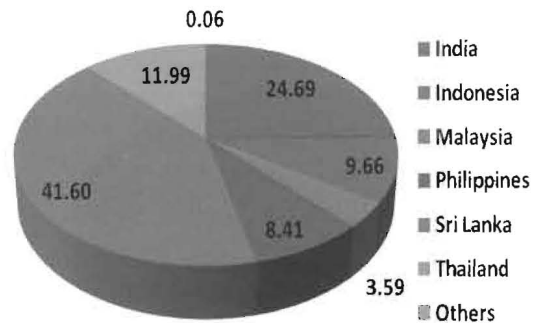


Fig 9. Percentage share of exports of coir and coir products

Global Competitiveness: India's position

It is evident that while considering the quantum of exports as well as value of export, India lags behind other major Asian traditional exporters like Philippines, Indonesia and Malaysia. It is also noteworthy that the consumption-production ratio of the above mentioned exporting countries are much lower than that of India thereby clearly reflecting the additional domestic surplus of coconut and coconut products in these countries. This scenario evokes adequate pressure for these countries to push their coconut products to other consuming countries. In turn these countries had developed a sort of professional export orientation and explored all possible export destinations across the world. In the case of India, the domestic consumption of coconuts and coconut products are much higher than the competing exporters (almost to the tune of 98% of the domestic production) and hence India had never developed an export orientation until the recent times when the Coconut Development Board has been bestowed with the status of Export Promotion Council. It is striking that in the recent period, the growth rate of exports of

coconut products from India has been accelerating, and India has a golden opportunity to take care of the food safety standards especially as it is in the nascent stage of export orientation. This aspect is important in the context of emerging food safety stringency in the developed countries and the surging consignment rejection of coconut products originating from Philippines, Indonesia and Malaysia. India, of late, due to the agglomeration of Coconut Producer Societies, Federations and Companies are in an advantageous position even in the case of scaling up of the production and exports of coconut products. In a nut shell, India is all set to compete with other traditional exporters and hopefully emerge as a winner.

Coconut: National scenario

India has produced 20440 million nuts in the year 2015 from an area of 1.97 million ha with a productivity of 10345 nuts per hectare (Table 8). It is predominantly cultivated in small and marginal holdings. Most of these holdings neither provide gainful employment opportunities for the family labour throughout the year nor generate sufficient income to meet the family requirement. Presently coconut growers are more exposed to economic risks and uncertainties owing to the high degree of price fluctuations. In this context it is needless to emphasize the importance of crop diversification in coconut gardens. For brightening the future prospects of a sustainable coconut sector, it is imperative to delink the sector from the over dependency on copra and coconut oil and enhance the production of diversified value added products.

Table 8. Coconut-National scenario

State	Area (000 ha)	Production (mn. nuts)	Productivity (nuts/ha)
Andhra Pradesh	106	1464	13808
Karnataka	515	5141	9982
Kerala	650	4897	7535
Tamil Nadu	465	6917	14873
Other States	240	2021	7295
India	1976	20440	10345

Source: CDB, 2015

Trade aspects of coconut

The export of coconut and coconut products from India recorded an increase of 13.5 per cent during 2014-15, compared to the previous year (Table 9). The earnings from the export of coconut products, excluding coir and coir products was Rs 1312.38 crore during the period compared to Rs 1156.12 crore in 2013-14. The share of activated carbon in the total exports was Rs 558 crore during the year which was slightly lower than the preceding year, mainly due to the drop in coconut

production. There was a decline in the export also due to the higher domestic price of shell charcoal, the raw material used for production of activated carbon, affecting the competitiveness of the product in the International market. The export of virgin coconut oil increased in both quantity and value (from Rs 4.81 crore in 2013-14 to Rs 24.72 crore during 2014-15). The export of coir and coir products touched a record high value of Rs. 1476 crores during 2013-14.

Table 9. Export of coconut products from India (2014-15)

Products	Quantity(mt)	Value (Rs. in lakhs)
Dry coconut	14895.63	19403.24
Other coconuts (fresh, dried, shredded, frozen etc.)		13584.45
Coconut oil	6935.53	14707.93
Virgin coconut oil	815.97	2472.93
Desiccated coconut	2606.34	4148.70
Copra	7869.42	8594.46
Shell charcoal	15030.90	44897.66
Activated carbon	54645.07	55780.19
Miscellaneous coconut products	---	7966.19
Total	---	131144.86

Source: Coconut Development Board, April 2015

Summing Up

Indian coconut sector has huge domestic demand, comparatively higher productivity, strong R & D support and technology delivery systems. In spite of these positive aspects, concerted efforts are lacking to effectively utilize the possible linkage between them for increasing the production and marketing efficiencies and enter the high value global chains. Sustainable coconut economy could only be achieved through integrated development of cultivation and industry coupled with a stable market. As far as the export markets of coconut value added products are concerned, India is comparatively a very small player with paltry export market shares. Indian export sector has become vibrant with very high growth rate since CDB has been upgraded to the status of Export Promotion Council (EPC). Moreover, in recent times due to the fast pace in urban life, there is considerable growth in the Indian confectionery industry (25 percent/ year). It is an indubitable fact that products like desiccated coconut and neera are high potential breakthrough products, which can bring in a paradigm shift in domestic coconut sector of India. Hence, there is tremendous potential in the domestic market as well. A meticulous plan to tap this potential would benefit the coconut industry in a big way. ■